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AMERICAN WAR-FINANCIERING.

THE prosecution of a war of such magnitude as to call for large expenditure of money, imposes upon the minister of finance the duty of adopting a policy for the management of the public treasury. Under modern industrial conditions, however, his choice is quite restricted, for there are but three proposals which it is worth his while to consider. These proposals are as follows:

First. The entire war expenditure may be drawn from newly levied taxes. In the administration of this policy, the only loans required are loans in anticipation of tax receipts, in order to cover the demands upon the treasury during the period in which the new revenue system is becoming operative.

Second. The entire expenditure of the war may be met from the proceeds of loans. In this case there is a call for new taxes equal to the interest upon the loans contracted. Sometimes even interest payments are met by selling new bonds, but this is so manifestly at variance with sound rules of finance that it need not be considered.

Third. The extraordinary expenditure entailed by the war may come from a reasonable union of these two sources of revenue — loans and taxes. The important question presented by this policy pertains, of course, to the nature of the union proposed and to the ratio of proceeds from loans to proceeds from taxes; and it is further necessary to inquire if this ratio is the same for all stages of the war.

It must be remembered throughout the investigation in this

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manner laid before us, that our problem has primarily to do with extraordinary expenditure; that is to say, with expenditure over and above the demands of peace.

Nor does this properly present the extent of the problem. It is more than likely that some of the ordinary sources of revenue will be cut off by a state of war, so that new ways of securing money must be discovered to meet the deficits in permanent demands. An adequate financial policy, therefore, must be more than sufficient to make headway against war expenditures.

I.

Shall the entire extraordinary expenditure entailed by a war be met by an exercise of the taxing power?

This question brings us at once into the presence of a claim respecting which there is great diversity of opinion. There are those who assume, without proof or argument, that a people engaged in an exhaustive conflict are unable to bear any marked increase in taxation, so long as the conflict shall continue. There are others who, stopping short of this extreme claim, yet urge it as highly desirable that the burden of a war should be distributed over several generations. From such premises the adoption of the loan policy must logically follow. As opposed to such opinions, there are writers of respectability and standing in finance who deny the inability of a people to meet within the year all necessary expenditure, and who refuse assent to the time-honored argument that by a loan the burden of war may be diffused. Such writers claim that the generation engaged in the contest must bear the burden of its expense; that this burden can in no manner be bequeathed; but that, if the war entail a debt upon following generations, its burden is borne twice — once by the fathers who furnished the capital that was destroyed, and once by the sons who furnished the money to expunge the debt. Although this latter conception of war expenditure does not appear to me to be quite accurate, it is yet based upon the

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manifest truth that each generation must subsist upon the product of its own industry.

Such a statement of truisms, however, is no final argument in favor of the taxing policy, nor does it meet fairly the claim of those who say that by means of loans the burden of a conflict may in part be thrown upon posterity. They who claim that war expenditure should be entirely met from the proceeds of taxes, fail to recognize two very important facts. In the first place, they fail to understand the difference between capital expended in a war, and the burden entailed upon the citizens of a country by a war. The consumption of capital may or may not give rise to the consciousness of extraordinary expenditure on the part of the state, according as it does or does not cause involuntary privation. The real burden of a war consists in the fact that men are deprived of property without the compensation of hope. In the second place — and here lies the kernel of the argument — they fail to perceive that the most important factor for the financier is not the material but the psychological factor. It stands as a first principle in an adequate war policy that, however great may be the demand for a current year, it should be met in such a manner that the source from which supply is drawn may never be exhausted. The appeal of the financier to the industrial producers should be made in such alluring language that, while continually giving of their product to the state, their energy will not be abated. The fund of current product, from which all revenue is drawn, should be as unfailing as the widow's cruse of oil.

It may appear, at first glance, that the realization of this principle in actual treasury management is impossible; but it is perfectly feasible, provided only a proper financial policy be adopted. It is an error to suppose that current consumption in time of war is largely increased over average consumption in time of peace. Public consumption may be greater, but private expenditure is curtailed. Unless mercenaries are brought from abroad, no more of the necessities of life are required than before the mobilization of the army, and on

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the average such as are consumed will be of no better quality. To balance the increase of capital required for the manufacture of arms, powder, ships, and the like, there is a decrease in the rapidity with which capital is invested in forms adapted to peace employments. It is, however, necessary to notice that average production cannot be maintained except by unusual exertion on the part of non-belligerents, for the ranks of peace workers will have been depleted by enlistments in the army. This call for increased activity is, in reality, the first tax sustained by those who continue to follow the common pursuits of life. But this tax need not be the occasion of solicitude, for established habit may be relied upon to tide over this first draft of men from the industrial ranks. A farmer, who with three sons has been accustomed to cultivate a section of land, will not permit a hundred and sixty acres to lie fallow because one of his sons has joined the army. It is a truth of quite general application, that men are disinclined to fall below a standard once achieved; and it is upon this principle of human nature that the financier may rely for the maintenance of average production notwithstanding the reduction in laboring force.

The real question, then, that confronts the financier is the following: Can he hope that this increased activity will be maintained if, in addition to the labor tax, he levy a money tax equal to the entire expense of the war? To answer this question in the negative is not to deny whatever is true in the claim that taxes have a tendency to quicken production. A tax levied for that purpose must gradually, and persistently, and through a long series of years, raise the rate of impositions; the desired result will not follow if industries be subjected without warning to excessive charges. For example—is it reasonable to believe that the industry of the Northern states would have been spurred to increased activity, if the total war expenditure of 1862 had been met by taxation? Government expenditure for that year was equal to one-quarter of the total national product, while the extraordinary war expenditure was equal to one-fifth of the product. Assuming

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that the newly levied taxes would have brought in the money for 1862, can one suppose that the year 1865, when war expenditure amounted to twenty-seven per cent of gross product, would have produced an adequate amount of disposable capital? No one who understands the psychology of taxation can for a moment admit such a claim. A tax so excessive in amount, precipitated without warning upon established industries, would have encroached upon working profit, weakened the incentive to labor, broken the mainspring of activity, and destroyed the mechanism of production. It would, therefore, have disregarded the first principle of treasury management, for it would have dried up the source from which all revenue must come. An adequate policy for the conduct of a war must be able to carry a people through to the end, and not expose them to the danger of a treasury stranded in the midst of the conflict.

If, on the other hand, a part of the extraordinary expenditure should be met by an appeal to credit, the loans placed would be largely absorbed by free capital. This would cause no derangement of industries, and the sacrifice entailed would be voluntary. The idea of loss would not attend the payment of capital to the state, but rather the thought of establishing a permanent income would induce to renewed activity. The administration would run no risk of exhausting the fund from which future revenue must be secured, for it would be continuously replenished by willing hands. Now it is altogether by the mark to say that loans must in the end be paid from the proceeds of taxes and that, in consequence, the advantage of an appeal to credit is apparent and not real. The question is, whether the desire to avoid future taxes can induce men willingly to suffer the burden of present payments. If they truthfully declare such a willingness, there can be no necessity for the employment of public credit. But if, as an analysis of human character shows, the potency of motives is inversely as the remoteness of interests concerned, this abstract truth, that taxes must finally equal sums borrowed, cannot be relied upon to induce men to practise self-restraint in consumption and to undergo

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severe toil in production in order that the springs of revenue may be ever flowing. It is such considerations as these that lead us to regard the taxing policy as inadequate to the demands of an exhaustive war.

II.

Shall the extraordinary expenditure imposed by war be met entirely by the proceeds of loans?

The policy which is here brought to view has been a favored one with financiers. The general claim in its favor is, that while a people are engaged in war their industries should be freed from all unnecessary encumbrances, in order that they may supply the "extra product" which the "extra consumption of the government" demands. The conclusion of such reasoning is, that while a war lasts no new taxes should be imposed.

It has been already observed, in the foregoing discussion, that the conception here presented is erroneous. The consumption of a people engaged in war is not greatly in excess of peace consumption. It may, if necessary, be brought down to less than peace consumption. An adequate financial policy demands only that average production should be maintained. It is true that average production calls for more intense application on the part of non-belligerents, but if business men are not discouraged by an erroneous financial policy, the industrial habits of the people may be relied upon to attain this end. Indeed, the administration may reasonably hope that a certain amount of taxes will be willingly paid in addition to what was termed above the labor tax. The motive or force which the financier must call into play to secure so desirable an end is patriotism. If the purpose of the government be fully appreciated and approved, a free people will gladly support heavy burdens in order to carry out an adopted policy. It is a recognized fact that self-governing peoples are stronger for tax purposes than the subjects of a monarchical state, for their will lies more closely to the heart of the state. But the administration of a self-governing people should never undertake a war in favor of which there is no strong sentiment. As things go,

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then, in democratic countries, it does not appear that loans to the full extent of extraordinary demands are necessary, and there is no question as to the superiority of taxes over loans when their use will not curtail industrial energy. The measure of this first money tax should be the popular enthusiam for the war.

What, however, is the specific argument against the policy of securing the entire war revenue from loans? Many considerations might be presented showing the dangers that beset this method of financiering; but a study of certain attempted realizations of it may, perhaps, disclose its inadequacy most clearly. There are very few cases in which a struggle of any magnitude, testing at all a people's financial resources, has been carried to a successful issue on the basis of a loan policy; while there are many instances of an abandonment of this policy during the progress of a war, which itself must be accepted as confession of failure. Twice in the history of our own country has this fatal over-confidence in the sufficiency of public credit brought a rich and energetic people to feel the stress of a demand for money and to experience the evils of ruinous and expensive methods of treasury control. It is not true that the actual failure of any policy proves the impossibility of its success; but it is true that a study of several instances of failure will permit one to decide whether continued ill-success is due to inadequate management or to erroneous principles in the policy itself. Understanding, then, the limitations rightfully placed upon all arguments from history, let us turn our attention to the financial management of the two great wars in which the United States has been engaged — that of 1812, and that of 1861.

The financial policy which was adopted for the conduct of the war of 1812 finds its first statement in the Treasury report of 1807. This has been called the war-report of Albert Gallatin. The reason why so astute a politician forced this question thus early upon the attention of Congress may not, perhaps, with clearness be determined; it is sufficient for our present purpose to notice the fact. The financial condition of the Treas-

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ury at this time was as follows. The permanent revenue of the country was estimated at $14,500,000, while the permanent expenditure for peace purposes was estimated at $11,600,000. In this expenditure, however, there was included an annual payment on account of the debt service of $8,000,000, which would be reduced to $3,400,000 after 1808, because of the inability of the government to proceed as rapidly as heretofore in expunging the debt. Taking this into account, the permanent expenditures on a peace basis could not exceed $7,000,000, and this would provide a permanent annual surplus of $7,500,000.

It was in the presence of such financial prospects that the Secretary spoke his views on the proper method of treasury administration in the event of a commercial war. His plan may be best presented in his own words, which are as follows:

> That the revenue of the United States will, in subsequent years, be considerably impaired by a war, neither can nor ought to be concealed. It is, on the contrary, necessary, in order to prepare for the crisis, to take an early view of the subject, and to examine the resources which should be selected for supplying the deficiency and defraying the extraordinary expenses.
>
> There are no data from which the extent of the defalcation can at this moment be calculated, or even estimated. It will be sufficient to state, first, that it will be necessary to provide a revenue at least equal to the annual expenses on a peace establishment, the interest of the existing debt, and the interest on the loans which may be raised. Second, that those expenses, together with the interest of the debt, will, after the year 1808, amount to a sum less than $7,000,000, and, therefore, if the present revenue of $14,500,000 shall not be diminished more than one-half by war, it will still be adequate to that object, leaving only the interests of war-loans to be provided for.
>
> Whether taxes should be raised to a great amount, or loans be altogether relied on for defraying the expenses of the war, is the next subject of consideration.
>
> Taxes are paid by the great mass of the citizens, and immediately affect almost every individual in the community. Loans are supplied by capitals previously accumulated by a few individuals. In a country where the resources of the individuals are not generally and materially affected by the war it is practicable and wise to raise by taxes the greater part at least of the annual supplies. The credit of a nation may also from various circumstances be at times so far impaired as to leave no re-

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source but taxation. In both respects the situation of the United States is totally dissimilar.

There is no question but that the Secretary here expresses full confidence in the adequacy of the loan policy to meet the financial stress of a war. It is true that he suggests the levy of certain new taxes, but their purpose is "to provide for the interest of war-loans, and to cover deficiencies in case the existing revenue shall fall below $7,000,000." He does not contemplate taxation as a means of defraying war expenditures.

A clearer statement of this policy is to be found in the report of 1808.

> No internal taxes [says the Secretary] either direct or indirect are therefore contemplated, even in the case of hostilities carried on against the two great belligerent powers.

And the report of 1809 comes back again to the same thought.

> Loans reimbursable by installments, at fixed periods, after the return of peace, must constitute the principal resources for defraying the extraordinary expenses of the war.

So far, then, there can be no question as to Mr. Gallatin's views respecting the financial conduct of a war; but the impression has somehow arisen that the events of the years 1810 and 1811 caused him to modify the opinions which he had previously expressed, and to urge upon Congress the adoption of taxes to a degree wholly at variance with his original plan. There is, however, no evidence which warrants one in the belief that the Secretary had abandoned the theory of loan-financiering; but on the other hand, in a letter of January 10, 1812, addressed to the chairman of the Committee of Ways and Means, there may be found a restatement of the loan policy, perfect in every essential particular. It is true that the committee was recommended to urge the establishment of both direct and indirect taxation, but this was due to the fact that revenue from customs had fallen below the estimates of peace demands. These taxes, therefore, could not with propriety be termed "war-taxes," since their proceeds were to be devoted to cover peace expenditure.

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It may be proper to repeat [says Mr. Gallatin] that, so long as the public credit is preserved, and a sufficient revenue is provided, no doubts are entertained of the possibility of procuring, on loan, the sum wanted to defray the extraordinary expenses of a war; and that the apprehensions expressed relate solely to the terms of the loans — to the rate of interest at which they can be obtained.

Again in another place he says: "In proportion as the ability to borrow is diminished, the necessity of resorting to taxation is increased." Such a sentence as this could not have been written except by one who had turned his back squarely upon the policy of war-taxes. It regards taxes as a last resort, to be employed only when the public credit shall have been exhausted; the tax policy, on the other hand, holds loans in reserve to be used only in presence of the greatest stress.

But did the views of Congress coincide with those of the Secretary? In one particular only do we find them at variance. Mr. Gallatin desired the new loans to rest upon a permanent revenue sufficient to pay current interest, but the members of Congress had no such view of this necessity as to lead them to press to legalization the necessary bills. It was decided by the Committee of Ways and Means that a war of four years' duration could be carried on for $50,000,000, and in February, 1812, a loan of $11,000,000 was authorized as the sum needed for the first year. Upon the same day that the House passed the loan-bill, Mr. Bacon, chairman of the Committee of Ways and Means, made a report, in which he advocated "war-taxes," setting forth in a clear manner the policy of the administration. This committee was as yet under the control of Mr. Gallatin. The speech which attended this report is peculiar, showing as it does the excessive and absurd confidence which the advocates of the war had in war-loans. After stating that a loan of $11,000,000 was regarded as sufficient for the first year, he said:

It is assumed by the committee that the extraordinary or war expenditure of the two succeeding years shall also rest upon further loans; and it is supposed that revenue sufficient to pay only the ordinary expenses and the interest on the old debt and on new loans shall be immediately provided for by the government.

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That which is peculiar in Mr. Bacon's speech is his warning to Congress against relying upon the proceeds of loans to pay the interest upon debts contracted.

> If we suffer ourselves [he said] to yield to the new theory of borrowing both principal and interest, we have no data by which to judge upon what probable terms loans may be obtained at all, or how long it will be before we must wind up business.

Still the temper of the House called for just such arguments, for there was a strong faction that held taxes for the payment of current interest to be superfluous. "How are the exigencies of the government for the next year to be supplied?" exclaimed Mr. Cheeves, who was spokesman for this faction. "Is the deficiency to be derived from taxes? No, I will tell gentlemen who are opposed to them, for their comfort, that there will be no taxes imposed for the next year." And yet in the expenditure for the next year, it was necessary to include the interest upon loans already voted. There can be no question but that the financial policy adopted at the beginning of the war of 1812 looked to credit rather than taxes as the source of all extraordinary expenditures. Let us then inquire respecting the results of this endeavor to realize the loan policy.

It is not my purpose to trace in detail the course of financial management for the war of 1812. All that is essential to the end held in view may be succinctly presented by a few comments upon the two tables that follow. In these tables will be found certain facts pertaining to the employment of public credit, whether in the form of direct loans or of an issue of treasury notes; the amounts authorized by the several acts, the amounts issued, and the conditions of their sale, will show quite clearly the degree of success that attended the administration of the loan policy. It is necessary to observe that war was declared upon June 18, 1812, and that the news of a definite treaty of peace arrived in New York upon February 13, 1815. The period covered by the tables, therefore, pertains to those financial measures considered by Congress in view of the continuance of the war, as well as to the employment of public credit for war purposes.

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TABLE A.

SHOWING LOANS AUTHORIZED, AND THE FACTS CONCERNING THEIR SALE, FOR WAR OF 1812.

Date of loans authorized.	Amounts authorized.	Amounts issued.	Rate of interest (per cent).	Rate of sale.	Rate of sale estimated on gold basis.
Mar. 14, 1812	$11,000,000	$10,284,700	6	par	
Feb. 8, 1812	16,000,000	18,109,377.43	6	88	88
Aug. 12, 1813	7,000,000	8,498,581.95	6	88¼	88¼
Mar. 24, 1814	25,000,000	9,919,476.25	6	80	80
		5,384,138.87	6	82	70
		764,000	6	80–95	65–69
Nov. 15, 1814	3,000,000	1,450,000	6–7	par	81–89
Jan. 9, 1815	6,000,000	200,000	6	par	89

TABLE B.

SHOWING TREASURY NOTES AUTHORIZED, AND FACTS CONCERNING THEIR SALE, FOR WAR OF 1812.

Date of acts authorizing notes.	Amounts authorized.	Amounts issued.	Rate of interest (per cent).	Rate of sale.	Rate of sale estimated on gold basis.
Jan. 30, 1812	$5,000,000	$5,000,000	5	par	par
Feb. 25, 1813	5,000,000	5,000,000	5	par	par
Mar. 4, 1814	10,000,000	10,000,000	5	par	84–91
Dec. 26, 1814	10,500,000	8,318,400	5	par	86–90
Feb. 24, 1815	25,000,000	17,432,780	6 and 7	100–104	82–90

One of the most significant facts which a comparison of these two tables presents, is the relation that seems to exist between loans and treasury notes. As the power of Congress to secure money by the sale of bonds decreased, reliance upon treasury notes increased. The inability of the government to place bonds was recognized in the latter part of 1814; in December of that year and February of the year following, $35,500,000 of treasury notes were authorized. Turning now to a consideration of the loans proper, the record of events

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shows that the first loan met with no enthusiasm. Although $11,000,000 had been authorized, and the Secretary was anxious that subscriptions should be rapid and sufficient to absorb the entire sum, he found at the end of two months that only six millions of the stock had been subscribed. Mr. Gallatin admitted the success of the loan to be "more than doubtful," and it was because of the tardy sale of bonds that Congress authorized the first issue of treasury notes. It is true that the terms of this first loan were not attractive, and that the greatest enthusiasm for the war was found outside the moneyed classes: but one must not lose sight of the fact that the only new taxes levied for the support of this loan consisted in a slight alteration of tonnage rates and a tardy increase of customs duties. The financial policy upon which this war was to be carried through appears to have shown signs of weakness before the struggle had been fairly begun.

On February 8, the following year, the government again came upon the market for money, this time demanding $16,000,000. The weakness of the previous loan was charged to the fact that too strict conditions had been imposed upon the administration in its negotiations; in this loan, therefore, as in all subsequent loans, the only condition insisted on by Congress was the right of reimbursement after a specified term of years. The passage of this act elicited much discussion, concerning both the propriety of the war and the adequacy of the financial policy. Some few members saw that loans resting on good intentions only, must lead to disaster.

> In finance [said one member] the wisdom of men has never been able to discover any effectual security to public credit, short of certain funds or revenue pledged for the redemption, and sufficiently productive to pay at least the interest of the debt.

Oddly enough, Stewart on Political Economy was quoted in support of this common-sense remark. But common sense does not seem to have been regarded at this time as essential to the guidance of a nation's finances, and no steps were taken toward an increase of taxation. This loan was placed at

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88 cents on the dollar, while pressing demands were met by an additional issue of $5,000,000 in treasury notes.

Still there are many expressions which show that Congress was beginning to suspect the inadequacy of the loan policy; and at an extra session called in May, 1813, steps were taken towards laying the foundation of a system of internal revenue. But it would be an error to suppose that the original loan policy was at this time abandoned. Congress had now reached the position defined in Gallatin's financial reports, and recognized the necessity of providing some basis for the credit of the state. There is but the slightest suggestion in the report of Mr. Jones, who was then acting as Secretary of the Treasury, which looked to the employment of taxes for making headway against war demands. According to his view, the chief benefit of new taxes would accrue in enabling the government to carry out its loan policy.

> As reliance [he says] must be had upon a loan, for the war expenses of the year 1814, the laying of the internal taxes may be considered, with a view to that object, as essentially necessary; in the first place, to facilitate the obtaining of the loan; and secondly, for procuring it on favorable terms.

From the message of the President also, may one learn that the difficulty of negotiating bonds at par was regarded as the only justification of new taxes. The revenue system as adopted included a direct tax upon the several states and internal duties of various sorts. They were called "war-taxes" and, by the act that authorized them, were limited to one year from the conclusion of a treaty of peace. The adoption of this system, however, appears to have had little influence upon public credit, partly because the new sources of revenue could not be relied upon for at least a year, but more especially because the new taxes were temporary and not coexistent with the debts assigned to them.

This plan of carrying on the war by the proceeds of loans may be said to have broken down in connection with the $25,000,000 loan of 1814. To measure adequately the magnitude of this operation, it must be taken in connection with the

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$10,000,000 of treasury notes authorized about the same time, from which it appears that $35,000,000 of debt were created by Congress to cover the appropriation of a single sitting. This was a sum equal to five times the average peace expenditure and to the total *ante bellum* revenue for two and a half years; and it was thought that this sum might safely rest upon the modest appeal to tax contributions just mentioned.

There is one element of complication that must not be overlooked, if the danger and uncertainty which attended the financial operations of this period are to be clearly perceived. Mr. Gallatin had relied largely for the success of his plan, as presented in 1807, upon assistance from the Bank of the United States. He thought to control the circulating medium of the country by means of this institution, and to procure much assistance in the placement of the public bonds. Nor can it be doubted that Congress, in refusing to grant a renewal of the charter of the bank, is largely responsible for the financial straits into which the government fell. The increase in the circulation of the private banks brought with it the evils of inflation even before the suspension of specie payments, which occurred in August and September, 1814. Some conception of the difficulty of carrying through any financial operation may be gained, when one learns that the government was obliged to select ninety-four state banks as the depositories of its funds; and so various were the kinds of paper money in use, that it was found necessary to keep four separate ledger accounts in each. This cannot, however, be urged as an adequate excuse for the failure of the financial policy adopted for the prosecution of this war. All that may be truthfully said is, that the failure of this policy was demonstrated more quickly than would have been the case could specie payments and clear accounts have been maintained.

From the table given above, it appears that the proceeds of the loan of March 24, 1814, are presented in three different sets of figures. This method is adopted in order that the tendencies now making their appearance at this time, in connection with treasury management, may be more perfectly disclosed.

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There was authorized by this act $25,000,000 of bonds. The first call was for $10,000,000, which resulted in the receipt of $7,900,000 in cash and in the issue of $9,900,000 of 6 per cent stock. This, it will be observed, was a sale of bonds at 20 per cent discount, being a lower price by eight cents on the dollar than any which the government had previously accepted. Four months later, a second advertisement appeared calling for $6,000,000 additional of the $25,000,000 authorized. The amount of debt created by this operation was $5,300,000, but the equivalent of cash received into the Treasury was only $4,300,000. At the time, however, that the major part of this loan was negotiated, a depreciated paper was accepted as a medium of payment; and if one permit this discount to enter into his calculations, he will discover that the specie price of these bonds was a trifle above 70 cents on the dollar. Nor do these figures adequately present the decadence of public credit, for the government found it necessary to resort to unusual devices in order to place the bonds at all. To the extent of $1,900,000, this debt found subscribers in the cities of New York, Philadelphia, and Baltimore, on condition that the amounts subscribed should be expended in the defence of the cities furnishing the money. Such dickering and trading shows the exhausted condition of public credit even more clearly than the discount suffered.

The third attempt to raise money on authority of the act of March 24, marks the collapse of the loan policy. Of the total amount of stock authorized, there remained yet unsold $12,800,000, and we may be sure that the government would have gladly received the entire sum. The amount of stock created was $764,000, the equivalent of cash received being $652,000. The nominal price varied from 80 to 95, the specie price ranging from 65 to 69. Of the moneys thus received, less than $234,000 were available for war purposes, the remainder being paid after the declaration of peace; and of this modest sum, $150,000 were signed by certain corporations of Baltimore to build a frigate for the defence of their own harbor. During the last quarter of the year 1814, receipts

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from all sources fell far short of expenditures, so that an actual deficit of $3,800,000 made its appearance in public accounts.

Is not one then justified in the conclusion that the control of the public treasury during the war of 1812 proved a failure? At the beginning of the struggle, Mr. Bacon said that he did not know how long it would be before the Treasury must "wind up business"; the course of events showed that it was possible to run on baseless promises a little over two years. But, it may be asked, was this failure due to the erroneous principles upon which the financial policy was based, or to bad administration? The testimony of contemporary statesmen upon this point is of much importance. In the latter part of 1814, the necessity for new and vigorous revenue legislation came to be quite generally recognized. The President stated this as one of the two reasons for calling an extra session of Congress in September. But the most direct and complete testimony upon this point is found in the financial documents of Mr. Dallas, who was called to administer the Department of the Treasury. "The plan of the finance," said the new Secretary, referring to the policy we have considered, "which was predicated upon the theory of defraying the extraordinary expenses of the war by successive loans, had already become inoperative." Nor did the new Secretary shrink from placing the responsibility of failure where it belonged. The decrease of revenue and the collapse of credit were not ascribed by him to either "the want of resources or the want of integrity in the nation," but "to the inadequacy of our system of taxation to form a foundation of public credit; and the absence from our system of the means which are the best adapted to anticipate, collect, and distribute the public revenue." He proposed the adoption of a new plan of finance, the characterizing feature of which should be "prompt and resolute application to the resources of the country." In addition to the re-establishment of a national bank, his policy embraced three distinct revenue measures. He demanded first, war-taxes, nor did he mean by this expression what Mr. Bacon meant in 1812; second, tax-loans, or temporary loans by means of which the new

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taxes could become immediately available; third, an extensive use of treasury notes, approaching a little more nearly our modern idea of legal tenders.[1]

Any criticism upon this plan should be made in view of the fact that two years of inadequate financial administration had bequeathed a legacy of confusion and disordered credit. The problem presented to Mr. Dallas did not consist in forming a war policy which should harmonize in all particulars with the requirements of sound finance, but in rescuing the finances of the country from disaster already experienced. So far as his plan referred to taxes, it is commendable. Twenty-one millions were to be drawn from this source. The tax-loans, also, were demanded by the necessities of the case. It is likewise commendable that he did not at this time make the treasury notes a legal tender for the payment of debts. Yet this would have been the necessary and logical result of the financial policy framed by Mr. Gallatin. They who defend the loan policy always assume that public credit can be maintained by an increase of the tax-levy equal to the current demands of public stock created, but this is found to be a mistake. It is because this is impossible, and because under such circumstances men will not freely lend, that the government feels justified in forcing a loan by means of legal tender notes. The first issue of treasury notes, it will be remembered, was regarded as necessary because of the tardy sale of bonds, and it is but another step in the path already entered upon to give notes a forced circulation. Legal tender notes lie as a germ in the loan policy, and it is probable that the advent of peace alone saved the country from the further calamity their issue would have occasioned.

Some of my readers may be inclined to excuse Mr. Gallatin from all responsibility and to deny that the failure of treasury

[1] This financial plan, submitted by Secretary Dallas, may be found in a letter of October 17, 1814, addressed to the Committee of Ways and Means. The note from the committee asking for suggestions is also significant. Its first sentence is as follows: "The Committee of Ways and Means have had under their consideration the support of public credit by a system of taxation more extended than the one hitherto adopted." *Cf.* Life and Writings of Dallas, pp. 234–243.

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administration during the war of 1812 argues aught against the sufficiency of the loan policy proposed by him, because Congress refused to grant the new taxes asked for at the beginning of the war. It is true that the proper administration of the loan policy demands a clear revenue equal to the debt service and the debt expenditure. It is also true that the special tax-bills recommended to the twelfth Congress failed to secure legal sanction; but it would be incorrect to conclude, because these particular taxes were withheld, that the essential requirements of the loan policy were not complied with. A glance at the general balance-sheet covering the three years of the war will show that permanent revenue not only covered permanent expenditure, but furnished a surplus of nearly $6,000,000 for war purposes. Although the new taxes were refused, the receipts from old taxes exceeded expectation; it is impossible, therefore, for the advocates of the loan policy to shift the responsibility of the failure of Mr. Gallatin's policy upon the shoulders of Congress. This balance-sheet is presented in the following table:

TABLE SHOWING THE SOURCE OF MONEYS EXPENDED FOR WAR PURPOSES.

Year ending	War expenditure paid out of proceeds of taxes.	War expenditure paid out of proceeds of loans.
Dec. 31, 1812 . . .	$3,560,150.00	$12,477,988.39
Dec. 31, 1813 . . .	1,399,277.71	24,849,810.41
Dec. 31, 1814 . . .	775,828.53	27,047,309.37[1]
	$5,735,256.24	$64,375,108.17

It thus appears that, for a total war expenditure of some $70,000,000, it was found necessary to create a debt of only $64,300,000, a fact which shows how futile is an apology like that suggested above in favor of the loan policy. So far as clear revenue is concerned, the demands of the theory were met, and it is the theory rather than the remissness of Congress that must be held responsible.

[1] There is included in this sum an actual deficit in accounts.

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Or again, it may be that some one, quoting that old maxim *salus populi suprema lex*, a maxim regarded by dullards as the first principle in finance, will ask: Wherein did this policy fail? Did not the government get the money and carry through the war? Such a question can only be answered by placing the actual results of treasury management during the war of 1812 in comparison with the demands of adequate management.

An adequate financial policy will place the credit of the state on so firm a basis, and guard it so jealously, that the government will never be called upon to suffer ruinous discount in the placement of its bonds. The record of this war shows that even at the beginning there was no enthusiam for the public stocks, that every month as it passed saw the nation's credit decline, and that the last quarter of the year 1814 showed a deficit in the public accounts while the government still possessed the right to borrow $12,000,000.

An adequate financial policy will provide such extensive resources that a war once entered upon may be carried through to the end without change of plan. It must be elastic and pliable so as to be ready for all probable emergencies. In the present instance, after little more than two years of vain endeavor to supply the demands of the government, the original plan was abandoned and a new theory adopted by the administration and by Congress. The evils necessarily attendant upon such a change in the midst of a war were only obviated by the return of peace.

An adequate financial policy will not be forced to use treasury notes, except as a convenient method of managing its taxing system. We have already noticed that unwarranted interference with the circulating medium follows logically from a determination to throw the entire weight of war expenditure upon public credit.

It must be admitted that Mr. Dallas passed lightly over this stupendous failure in financial administration, when, in reviewing the financial operations of the war, he said:

> An increase of the expense and a diminution of the supply, must have been anticipated as the inevitable consequences of that event; but

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the government reposed with confidence for all the requisite support upon the untried resources of the nation, in credit, in capital, and in industry. The confidence was justly reposed; yet it may perhaps be considered as the subject for regret (and it certainly furnished a lesson of practical policy) that there existed no system by which the internal resources of the country could be brought at once into action, when the resources of its external commerce became incompetent to answer the exigencies of the time. The existence of such a system would probably have invigorated the early movements of the war, might have preserved the public credit unimpaired, and would have rendered the pecuniary contributions of the people more equal as well as more effective. But owing to the want of such a system, a sudden and an almost exclusive resort to the public credit was necessarily adopted as the chief instrument of finance. The nature of the instrument employed was soon developed; and it was found that public credit could only be durably maintained upon the broad foundation of public revenue.

It is not my purpose to follow thus in detail the financial history of the war of 1861. So far as the principles are concerned, it presents nothing with which the foregoing study has not already made us familiar. Here is found the same policy for the management of the public treasury, this policy follows the same course in its developments, and works the same general results. The only variation in the record pertains to the use of treasury notes, for in the case of this second war the loan policy was not arrested until these notes were given the legal power of paying private debts. Upon the main point there can be no question. The plan recommended by Secretary Chase and adopted by Congress was to rely upon public credit for carrying through the war. In a special report of July, 1861, which deals with ways and means, the Secretary expresses himself as follows:

> To provide the large sums required for ordinary expenditure and by the existing emergency, it is quite apparent that duties on imports, the chief source for ordinary disbursements, will not be adequate. The deficiencies of revenue, whether from imports or other sources, must necessarily be supplied from loans; and the problem to be solved is that of so proportioning the former to the latter, and so adjusting the details of both, that the whole amount needed may be obtained with certainty,

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with due economy, with the least possible inconvenience, and with the greatest possible incidental benefit to the people.

The Secretary has given to this important subject the best consideration which the urgency of varied public duties has allowed, and now submits to the consideration of Congress, with great deference and no little distrust of his own judgment, the conclusions at which he has arrived.

He is of the opinion that not less than eighty millions of dollars should be provided by taxation, and that two hundred and forty millions should be sought through loans.

It will hardly be disputed that in every sound system of finance, adequate provision by taxation for the prompt discharge of all ordinary demands, for the punctual payment of the interest on loans, and for the creation of a gradually increasing fund for the redemption of the principal, is indispensable. Public credit can only be supported by public faith, and public faith can only be maintained by an economical, energetic, and prudent administration of public affairs, and by the prompt and punctual fulfilment of every public obligation.

This financial policy may be more clearly apprehended if one notice the estimates presented by the Secretary. As has been already stated, he proposed to raise $80,000,000 by taxes, as against $240,000,000 by loans. Of this amount of clear revenue, $65,800,000 were required to meet the ordinary expenditures of the peace establishment. It was believed existing laws would provide about $60,000,000, from which it followed that new taxes to the amount of $20,000,000 were required. Of this sum, $9,000,000 were to be devoted to payment of interest upon the new debt, and $5,000,000 to the establishment of a sinking fund for its final expungement. Such was the financial plan upon which this great war was launched.

The revenue law which followed this report modified customs duties so as to intensify the principle of industrial protection, established a three per cent income tax upon all incomes over $800, and apportioned a direct tax of $20,000,000 among the several states. The income tax was not to take effect until January, 1862, and, as the direct tax was apportioned to the South as well as to the North, the Treasury could not hope for the entire amount levied.

In the December report, 1861, the Secretary declared renewed

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confidence in the financial plan which he had previously presented. It was found, however, that receipts from customs and from the sale of public lands had fallen off. Thus for the quarter ending September 30, customs duties had yielded but $7,000,000. For the calendar year ending 1861, the government received but $30,000,000 from this source, as opposed to $50,000,000 in 1860, and $53,000,000 in 1859. There seemed, therefore, just ground for apprehension lest existing taxes should fail to support the peace establishment and the loans which the government chose to place. This fear of a deficit from ordinary sources of revenue impressed itself upon the mind of the Secretary, and in consequence he proposed additional duties on tea, coffee, and sugar; a modification of the income tax so as to render it more productive; an increase of the direct tax to the states; and a tax on whiskey, tobacco, bank notes, instruments of conveyance and the like; in short, he proposed the establishment of a system of internal duties. Now all this has the appearance of an abandonment of the loan policy and the adoption of the policy of carrying through the war by taxes, but this is true in appearance only. The total sum of clear revenue hoped for from all these sources of income was but $90,000,000, and this, as the Secretary said, was not more than enough to meet "even economized disbursements, and pay the interest on the public debt, and provide a sinking fund for the gradual reduction of its principal." "It will be seen at a glance," says the report in another place, "that the amount to be derived from taxes forms but a small portion of the sums required for the expenses of the war. For the rest, reliance must be placed on loans." It is also worthy of notice, as throwing additional light upon the policy of the administration, that the mind of the Secretary seems at this time to have been taken up with his scheme for establishing a system of national banking; for, as is well known, one purpose of this scheme was to provide a ready market for public bonds. It comes, therefore, into perfect harmony with the loan policy already adopted.

It was in the latter part of the year 1863, and during the first part of 1864, that the inadequacy of the loan policy as a

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basis of war financiering forced itself upon the minds of those who managed public affairs. "To check the increase of debt," says the report of 1863, "must be, in our circumstances, a prominent object of patriotic solicitude." And again, "Hitherto the expenses of the war have been defrayed by loans to an extent which nothing but the expectation of its speedy termination could fully warrant." The report then restated the financial policy as adopted in 1863, and continued:

> The financial administration of the first fiscal year after the outbreak of the rebellion was conducted upon these ideas. The acts of Congress at the extra session of July, 1861, were framed with the intention of supplying the full amount of revenue demanded by them. But receipts disappointed expectation, and it soon became obvious that a much larger proportion of the means needed for the fiscal year 1862, than the principle adopted would allow, must be derived from loans.

But the most interesting expression in this document pertains to the estimates for probable future demands.

> These statements [says the Secretary, referring to the estimates] illustrate the great importance of providing, beyond all contingency, for ordinary expenditures and interest on debt, and for the largest possible amount of extraordinary expenditures, by taxation. In proportion to the amount raised above the necessary sums for ordinary demands will be the diminution of debt, the diminution of interest, and the improvement of credit. It is hardly too much — perhaps hardly enough — to say that every dollar raised for extraordinary expenditures or reduction of debt is worth two in the increased value of national securities, and increased facilities for the negotiation of indispensable loans.

Could this truth have been recognized at the beginning of the war, and could it at that time have influenced the treasury policy, the financial history of the last twenty-five years would have been materially modified.

Congress also, in the latter part of 1863, began to recognize the essential weakness of the loan policy, and to turn its attention to the necessity of taxes for distinctively war purposes. The great tax-bills of the war were those of June, 1864. Mr. Morrill, in whose speech of a year before there were statements showing that the original policy was yet intact, admitted,

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while presenting these new bills, that money must now be secured by every possible means.

> The Treasury [he said] requires a large supply of means, and such sources of revenue as have not already yielded their maximum contributions must now be sought, so that we may fill the measure of our wants. . . . This measure [the proposed bill] is intended as a war measure, a temporary measure, and it is needful that it pass speedily. Every day's delay in the passage of this and the internal revenue bill costs the Treasury not less than $500,000.

This language is very different from the financial dilettantism that marked the attitude of our financiers during the first two years of the war.

It is somewhat difficult to exhibit accurately the rapid fall of public credit from 1861 to 1866; but I have undertaken in the following statement to approximate such an exhibit by showing the specie price of all the obligations issued during the war. The computation has been made by estimating the value of the total receipts from credit for each quarter, at the average price of gold during that quarter. The only source of error in this method arises from the fact that the average price of gold for any three months may not be the actual price at which the proceeds of bonds were covered into the Treasury, but any closer computation requires more complete data than the authorities at Washington have yet given. It is, however, believed that the conclusions may be relied upon as substantially correct.

TABLE SHOWING TREASURY RECEIPTS FROM PUBLIC OBLIGATIONS OF ALL SORTS FOR EACH QUARTER DURING THE WAR, AND THE GOLD VALUE OF SUCH RECEIPTS ESTIMATED ON THE AVERAGE PRICE OF GOLD FOR EACH QUARTER.

For the quarters ending	Gross receipts from debt created.	Gold value of gross receipts.	Percentage realized.
Mar. 31, 1862	$60,947,202.67	$59,527,132.84	97.67
June 30, 1862	209,049,203.81	200,230,763.59	95.78
Sept. 30, 1862	68,934,420.36	59,648,953.94	86.54
Dec. 31, 1862	131,631,479.40	101,250,933.95	76.92

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Table showing Receipts from Public Obligations — continued.

For the quarters ending	Gross receipts from debt created.	Gold value of gross receipts.	Percentage realized.
Mar. 31, 1863	$178,569,759.25	$115,195,351.69	64.51
June 30, 1863	216,460,067.49	145,829,147.47	67.37
Sept. 30, 1863	118,267,491.75	89,800,506.48	75.93
Dec. 31, 1863	150,450,843.85	100,862,245.72	67.40
Mar. 31, 1864	191,922,104.42	120,220,006.20	62.64
June 30, 1864	235,371,791.92	122,581,629.23	52.08
Sept. 30, 1864	147,735,822.42	61,295,592.72	41.49
Dec. 31, 1864	179,908,674.29	80,365,204.80	44.67
Mar. 31, 1865	175,313,376.72	88,094,971.80	50.25
June 30, 1865	361,905,625.74	253,406,319.14	70.02
Sept. 30, 1865	138,765,727.22	97,038,873.04	69.93
SUMMARY FOR THE YEARS ENDING			
Dec. 31, 1862	$470,562,306.24	$430,657,784.32	91.58
Dec. 31, 1863	663,748,162.34	451,687,251.35	68.05
Dec. 31, 1864	754,938,393.05	384,462,432.95	50.93
Sept. 30, 1865	675,984,729.68	438,540,163.98	64.87
Summary for the 45 months of the war	$2,565,233,591.31	$1,705,347,632.60	66.48

It seems superfluous to comment on such figures as these. A treasury administration that permits the credit of a wealthy people to decline so that its obligations fall fifty per cent and remain there for a year, can hardly be called successful. Yet the results here displayed, as also the forced circulation of treasury notes, are the natural fruit of an endeavor to carry through a war by loans.

But the lesson of these public accounts is not fully appreciated until it is observed with what ease a system of internal revenue may be made to respond to a vigorous and decided administration, for this shows how unnecessary it is to rely wholly upon public credit for extraordinary expenditures. In this connection the following table is pertinent for our consideration.

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TABLE SHOWING RECEIPTS FROM VARIOUS SOURCES IN DENOMINATIONS OF MILLIONS.

	1861.	1862.	1863.	1864.	1865.	1866.
Customs revenue	39.5	49.0	69.0	102.3	84.9	179.0
Internal revenue		1.7	39.1	110.2	210.6	311.2
Miscellaneous	1.8	11.2	4.5	52.1	38.2	67.8
Clear revenue	41.3	61.9	112.6	264.6	333.7	558.0
From loans	23.7	433.6	595.6	696.0	864.8	92.6
Total revenue	65.0	495.5	708.2	960.6	1198.5	650.6

It requires no extended study to discover the meaning of these figures. The criticism which they offer makes its appearance when one asks what would probably have been the financial consequences could the receipts from internal revenue have been moved ahead two years. Suppose, for example, that Secretary Chase could have received from this source $110,000,000 in 1862, $210,000,000 in 1863, and $311,000,000 in 1864 — what a change would it have produced in the course of financial administration! Its moral effect upon the South, working especially through their European sympathizers, would have brought the war to a more speedy termination, the credit of the government could not have suffered as it did, while the advocates of legal-tender money would have been deprived of the argument of necessity. Now the responsibility for the tardy flow of revenue from internal duties is traceable to the policy upon which the finances of the war were set on foot, and not to the inability or to the reluctance of the country to pay. Secretary Chase denied the necessity of meeting any part of war expenditure from war taxes, because the financial theory which he espoused deprecated the endeavor; and it required nearly three years of disastrous treasury management to convert the administration and Congress from this erroneous theory. In view of actual conditions, it is perhaps a little extravagant to suppose that the receipts from internal revenue could have been advanced two years, but it is altogether

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reasonable to conclude that a vigorous administration might have anticipated actual results by eighteen months. This estimate allows nearly a year for the establishment of the system, and claims only that internal revenue should have begun to come into the Treasury at the rate of $9,000,000 a month as early as July, 1862. And when it is noticed how quickly the industries of the country responded to the laws of 1864, as shown by the receipts for the year 1865, one cannot regard this claim as at all impracticable. There is here disclosed the fundamental error of that theory which looks to credit as the only source of war expenditures. It is blindly optimistic and so deprecates an appeal to sources of revenue that might with ease be opened. They who undertake its administration are sure to let matters drift until disaster awakens them to the fact that the financial problem is no longer under their control. This theory springs from financial ignorance, from a sense of administrative weakness, and from a thorough distrust of the people.

It appears, then, that the history of the war of 1861, like that of 1812, bears direct testimony against the sufficiency of the loan policy. It is no apology for the men who administered public affairs that they looked upon the action of the South as a local insurrection, for, in matters of public financiering, revenue must conform to necessary expenditure; and no policy can meet approval which fails to supply all the money that is needed for as long a time as it is needed.

III.

What is the true plan for the financial management of a war?

Thus far our argument has proceeded according to the logic of exclusion. We have learned that the tax policy does not conform to well-known principles of human nature, and that the loan policy fails to bear the test when tried; but since taxes and loans are the only sources of revenue open to modern financiers, it follows that the true policy must embrace them both. Our further study, therefore, must concern itself with

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inquiring what constitutes a reasonable union of taxes and loans.

We shall be assisted in answering this question if we notice at the outset certain financial principles or truths that point to the correct theory of treasury management. First, the habit of bearing taxes is one easily acquired, if only the instruction be given in a proper manner. It is never necessary to depend altogether upon loans for war expenditure, and the administration that shrinks from a levy of taxes lest the war spirit be chilled shows either a doubtful cause or a weak-kneed cabinet. As a second principle may be stated the fact that it is easier to raise the rate of existing taxes than to establish a new system. From this it follows that the germ of a war policy lies back in the treasury policy of ordinary times. Again, it is popular support rather than the adherence of a syndicate of banks which ensures the success of a financial policy. This is true because popular sentiment in favor of the administration guarantees the support of the banks, but it is not true that the support of the banks brings with it general enthusiasm. This does not mean that banks should never be employed as agents of the government, but that the administration should be superior to the criticisms of the banking interest, that the basis of its operations should be as broad as possible, and that it is no sign of weakness to appeal to patriotism as a motive for lending money. And lastly, it is a truth worth remembering that democratic peoples are willing to go all lengths with a government which takes them into its confidence. It is assumed that the purpose of the war is approved, otherwise there is no apology for undertaking it; but, granting this, personal sacrifice and assistance are assured to a government so long as the public continues to have confidence in the efficacy of its administration. The meaning of this fact is, that an adequate financial policy should be bold, courageous, sufficient, and simple; that it should lie close to the sympathies of the people, and not fear to make from them searching demands. We have now before us the raw material out of which to construct a plan for the management of a war.

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Coming then directly to the question in hand, it is of prime necessity to recognize that good financiering in times of emergency is only possible upon the basis of an adequate revenue system previously established. It must be recognized that some preparation in time of peace should be made against the advent of war, but the dedication of a particular tax to this purpose, or the accumulation of a war reserve, does not accord with the most perfect financial requirements. How then may the peace establishment provide against unusual demands? As the matter appears to me, nothing more is required for this purpose than that the permanent revenue system should be so constructed as to respond quickly to any change in rates imposed. Under such a condition, income fluctuates directly with any modification in rates; but if the actual rate of taxation in ordinary times be at or above this revenue rate, the administration can hope for no assistance from the established taxing system in case of an emergency. An increase in the rate would probably decrease revenue by decreasing the consumption of taxed commodities. The government thus finds itself embarrassed at the outset, and easily persuades itself that an appeal to credit is the only method of making headway against demands. But if we suppose, on the other hand, that the country possesses a broad system of taxation, so that ordinary demands may be met by imposing low duties, any embarrassment encountered by the minister of finance at the beginning of a war must be of his own making.

Assuming such provisionary measures to have been taken, what is the next step in an adequate war policy?[1]

Our answer may be given without hesitation. New sources of revenue must be opened by the levy of new taxes. But, it may be asked, is not such a proposal a virtual abandonment of the loan policy? This cannot be admitted; for it is essential that a law should be passed to provide for clear revenue in addition to that secured by raising the rate upon existing

[1] In view of the peculiar relation existing between the federal government and the several states of the American Union, there are many reasons for saying that, in our country, this first tax should be a direct tax upon the states, appropriated and collected on the principle of "Revolutionary requisitions."

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taxes, before a financier has any right to assume that he can borrow extensively without depressing public credit. He cannot rely entirely upon the new revenue derived from the old taxes, because this revenue is not co-existent with the debts created. A true financial policy also must hold in view the termination of a war as well as its continuance, and do nothing which can in any manner obstruct a speedy reduction in the rate of permanent taxes upon a return of peace. For, if the extraordinary income from the permanent taxes be mortgaged to the support of a permanent debt, the first claim of a good revenue system is disregarded. The elastic quality of the system would be thereby destroyed, and the country would be poorly prepared to meet another financial emergency. And it must be further noticed that these new taxes once established and brought into running order, are ready at hand to assist in the expungement of debts when the war shall have terminated. It thus appears that the new taxes tend to strengthen public credit even before they become remunerative; they relieve the temporary revenue so that it may again serve as the temporary basis of new loans; and they assume the whole weight of the debt upon the return of peace.

It may be objected to the plan here proposed that, should the struggle prove of slight duration and little cost, the country is burdened with a lot of useless taxes; but this objection seems to be made without due consideration. Assuming that the difficulty is quickly terminated, it is more than probable that the strong financial policy adopted by the administration rendered great assistance in attaining so desirable an end. If a destructive war can be obviated by the voting of taxes, there are few who would withhold their assent. Nor is it necessary, in the case assumed, that the taxes should prove an actual burden to the people. New taxes require some considerable time before they become productive, and should the occasion for them pass away, they may be abolished before taking much from the pockets of the people. Let then no financier argue that a war demand will probably be small and that it may be met by loans without an appeal to taxes; for the administra-

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tion certainly needs the moral influence of the tax-laws, the revenues which these laws are capable of bearing may be required, and if the events show the solicitude of the administration to have been groundless, no great harm is done.

It remains for us to consider what use should be made of public credit, and to discover the principle according to which the extraordinary expenditure should be apportioned between loans and taxes. The theory of public borrowing is very simple. Public credit should always be regarded as a means of anticipating revenue. It is a short cut to capital; and the first great service of loans in time of war is to give the administration immediate control over capital upon the declaration of hostilities. But such borrowing does not necessarily create a permanent debt. It rests in the first instance upon the extraordinary receipts arising from the increase of rate in the permanent revenue system. Should the war, however, continue for any considerable time, it would be necessary to convert the debt thus created into a permanent debt and assign it to new funds for support. And here, it may be said, is the only point at which ignorance of the probable duration of the extraordinary demands may be permitted to influence the financial policy of the administration. It is proper, until the future may be forecast with some degree of certainty, that temporary debts rather than permanent debts should be used. And here, too, is disclosed the peculiar service rendered by an elastic revenue system, for the quick command which such a system grants over revenue provides a solid basis of credit at the beginning of the war, and so insures a good price for the first bonds negotiated.

There is another and more important service that may be rendered by loans. When a government gives bonds in return for capital, the individual who supplies the capital does not feel that sense of personal loss which attends the payment of a tax. He has merely changed the character of his property. It thus appears that by means of loans a government may hope to secure immediate control over large funds of capital while yet allowing the motives for continued industry full liberty of

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action. So far as it seems necessary to use credit for attaining this end, the obligations created against the state must run for some considerable time, and be assigned to a reliable fund for the payment of the annual interest which they demand.

In the services here brought to view lies the entire theory of public credit. Loans are always a means of anticipating assured revenue. No other meaning can be attached to them when used to carry through the financial operations of a war, for no system has yet been devised for evading the necessity of extraordinary taxes as the result of extraordinary expenditures. Our general conclusion then is, that sound financial management inclines always towards taxes. The measure of the amount that may be secured by this means is found in their observed effect upon current industry, for the demand for clear revenue must never go so far to discourage industrial activity.

It is impossible to proceed much farther in a general discussion of this subject, for the conflicting interests to be harmonized and the importance of the factors that enter into the problem must influence greatly the application of the principles suggested. It may, however, be permitted to take one step in the direction of formulating a rule of wide application for the financial conduct of a war, by which the relative use to be made of taxes and loans may be roughly indicated. At the beginning of hostilities, revenue from loans may properly outbalance revenue from taxes, but as the war progresses, and the demands increase, taxes should be continually forced into greater prominence.

There are several considerations that favor this rule. Thus the necessity for temporary loans is always greater at the beginning of a war than at any subsequent period. As the newly levied taxes become more and more productive, and as the people become accustomed to high rates of payment, the legitimate use of loans becomes narrowed. But the most forcible reason favoring the rule is the following. The great stress which the advent of war throws upon industry arises from the necessary readjustment of labor to a new line of demands. A condition of war is not a condition of peace, from any point of

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view, and the industrial transition from the one to the other is always attended with danger and may prove the occasion of disaster. But if the financier can only bridge over this chasm and establish business firmly on a war basis, he may extend his taxing system with as much confidence as if the people were living in a state of profound peace. It is during this period of readjustment that public credit renders its greatest service to the administration. At no future time during the continuance of a war can such strong reasons be urged in favor of its employment.

It seems, then, that the theory for the administration of a treasury during the continuance of a war contemplates first, the formation of a financial policy at the time when hostilities are first declared; and second, the development of a policy after industries are well adjusted to belligerent conditions. As has been set forth in the foregoing analysis, the formation of the policy demands the legalization of three fiscal measures.

1. The rate of taxation in the permanent revenue system must be raised. The new income thus secured will serve as the basis of the first loans and, when relieved by other funds, may be employed as a contingent fund or as a source of war expenditure. Nothing must be done to endanger the repeal of this measure upon a return of peace.

2. New sources of revenue must be opened by the levy of new taxes. The estimated proceeds of these taxes must exceed, if possible, the demands of loans for interest payment. This will assist in maintaining the credit of the state, it will give some revenue for war purposes while hostilities continue, and will provide revenue for the expungement of the debt when the demands for war expenditures shall have ceased.

3. A large loan, equal to the satisfaction of all possible demands, must be authorized, and the minister of finance must be granted large discretionary powers in its placement. In this manner there is created the machinery for financial operations, and under a strong administration there is little fear of failure.

The principles which control the development of the policy are the same as those which shape its establishment. If tem-

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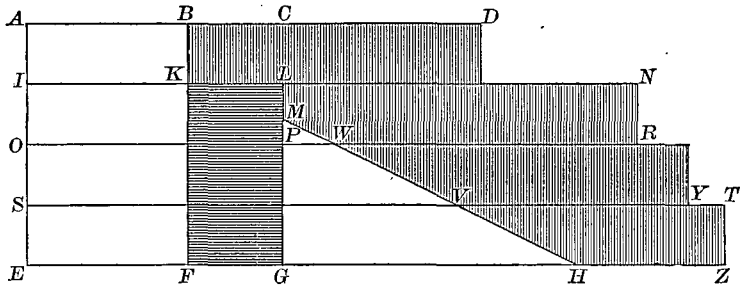
porary loans were resorted to, they should be funded upon the proceeds of the new taxes as soon as possible. The financier may hope for assistance from his new taxes within eighteen months of their levy, and if demands continue to expand, his call for clear revenue should be gradually increased until revenue machinery is speeded to its highest productive capacity. But there is a limit to the possible war consumption, and with gradually increasing income from taxes clear revenue must eventually overtake any possible demand.

This theory of treasury management may, perhaps, be more clearly apprehended if stated with the assistance of the following diagram.



In this figure the horizontal lines, in the direction from left to right, measure the productivity of revenue machinery, while the perpendicular distance is assumed to represent the time through which it operates. Thus the line *AB* shows the intensity of the demand made upon the permanent revenue establishment in times of peace, and since the line *AI* covers one year's time, the parallelogram *AK* represents the normal income for a year. Now the first measure, upon the outbreak of a war, is to increase the rate imposed upon the peace establishment. Let it then be increased by *BC*. If now the permanent system has been formed according to correct principles and is elastic in character, this advance in the rate of imposition will yield increased revenue; but since it is necessary to properly advertise this change, it is assumed that this addition to clear receipts will not make its appearance till the beginning of the second year. It follows then that the entire war demand of the first year must

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come from loans. This is represented in the figure by the parallelogram *KD*. There is no danger, however, but that this stock will bear good prices, because it rests upon income assured by revenue machinery already in operation. This fund which sustains the credit of the government during the first year is represented by the parallelogram *KP*, from which it appears that the entire receipts flowing from the permanent establishment during the second year is equal to the parallelogram *IP*. During the second year, also, the newly established taxes begin to lend their assistance in carrying on financial operations, and the income from this source is represented by the triangle *MPW*. This revenue is shown as beginning in the middle of the second year because it will probably take eighteen months to bring an entirely new system into working order. It thus appears that a large share of the extraordinary expenditure of this year also must be secured from loans, which is represented in the diagram by the figure *LMWRN*. But with the beginning of the third year, it may be assumed that the industrial readjustment has taken place, and the financier may constantly and persistently extend his demand for clear revenue; and since there is a limit to war consumption, the necessity of loans decreases with every increase in clear revenue. Thus the total revenue for the third year is represented by the parallelogram *OY*, of which clear revenue provides a sum represented by the figure *OSVW*, the remainder being supplied by loans. The fourth year demands a total expenditure represented by *SEZT*, but loans are called upon to furnish the comparatively small sum of *VHZT*. It lies as an essential part of the treasury policy here defended that the newly established system of taxation should be continuously expanded until financial exigencies shall have passed away; and this may be brought about either by a return of peace, or by the fact that clear revenue has overtaken war demands. It is useless to say that this is impossible; it is perfectly feasible, provided only a strong and vigorous policy be adopted at the beginning of the war. The difficult part of the task imposed upon the financier is during the first and second years of the war. At this time there is demand for

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wisdom and firmness, for no administration can recover itself if it indulge in weakness and inefficiency when a policy is set on foot.

Our conclusion, then, respecting the appropriate financial policy for the conduct of a war is the following. Reliance cannot be placed wholly upon loans nor wholly upon taxes, but fiscal administration should be so adjusted as to gradually change the burden of expenditures from credit to clear income.

HENRY C. ADAMS.

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BIMETALLISM IN THE UNITED STATES.

THE history of bimetallism in the United States is a signal proof that the operations of economic laws, under given circumstances, are not affected by geographical boundaries. In reference to the double or alternate standard those laws have asserted themselves with the same force, and to the same extent, upon this continent as in the countries of the old world.

The earliest coinage for the American colonies was of brass, and was made for the Virginia Company in 1612, in the Bermuda Islands. The coins bore on one side the legend, "Sommer Island," and "a hogge, in memory of the abundance of hogges" found by the early colonists. On the reverse side was a ship under sail, firing a gun.

Some years later silver in considerable quantities began to be brought into the country by the West-Indies trade, and accordingly, in 1652, "a mint howse" was established in Boston. This mint issued the first colonial coinage. Owing to the plainness of their finish, the coins soon became debased by "washing and clipping," to remedy which the General Court enacted that "henceforth both shillings and smaller pieces shall have a double ring on either side, with this inscription, 'Massachusetts,' and a tree in the centre, on one side, and 'New England' with the date of the year on the other side." Hence this coinage took the name of "pine-tree currency." It became the standard of value, and continued to be such; but unfortunately the use of barter currency, consisting of wampum, cattle, musket-bullets and other commodities, continued to be legalized, and the silver was either smuggled out of the country or clipped. Such was the first assertion of the Gresham law[1] as to the colonial coinage.

[1] This law, as Professor Jevons briefly states it, is "that bad money drives out good money, but that good money cannot drive out bad money." The law takes its name from Sir Thomas Gresham, founder of the Royal Exchange, in London.

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In 1688 the mint was suppressed by the British governor (Andros), and paper money came into vogue. The use of barter currency then became less common, but was not entirely discontinued. The era of depreciated paper money and its attendant losses and inconveniences lasted until the capture of Louisburg by the New England colonies in 1745, when Parliament ransomed the place, and for that purpose sent about $600,000 in coin to Massachusetts. This enabled that colony to retire its paper and pay off its debt. Accordingly, in 1761, gold was made a legal tender in Massachusetts as well as silver; but the silver, being overvalued as much as five per cent, rapidly disappeared from circulation; and thus for the second time the Gresham law asserted itself. Various attempts were made by legislation to retain the silver; but as long as the legal ratio between that metal and gold differed from the market ratio, the law of nature overcame the laws of men, and the dearer metal took flight.

A few years later the Revolutionary war broke out, and another era of depreciated paper money ensued. Having no power to tax, the Continental Congress, in order to meet the expenses of the war, issued legal tender bills on the faith of the "Continent"; and Franklin, who had a contract for printing the bills, maintained that this sort of money was as good as any. The total issue of the bills amounted to over $350,000,000, and in 1780 they were worth but two cents on the dollar. Meanwhile the French alliance enabled Congress to obtain loans, after which specie came again into circulation. Another helpful agency was the Bank of North America, which was established in Philadelphia and still exists. This bank issued notes redeemable in Spanish dollars, and co-operated in the fiscal operations of Congress.

In 1786 the debtors' insurrection known as Shay's Rebellion broke out in New England, and another outbreak of the paper-money mania followed.

When the first Congress under our present constitution met in 1789, no United States coin of the denomination of the dollar existed, the unit of the money of account being based

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on the Spanish dollar, which had long been in use. Foreign coins of all nations were taken at the custom house at a statutory value. In 1792 a code of laws was passed under which the National Mint was established, and in pursuance of which, for forty-two years afterward, the national coinage was executed. Alexander Hamilton was at that time Secretary of the Treasury, and to him the subject of adjustment of the coinage was referred. In his report to Congress, Hamilton expressed the opinion that "a preference ought to be given to neither of the metals" [gold or silver] "for the money unit," and recommended that Congress should "attach the unit indiscriminately to both metals." He admitted that "one consequence of overvaluing either metal in respect to the other" would be "the banishment of that which is undervalued," but he conceived that a legal ratio could be established between the two metals sufficiently near to the market ratio to keep them together. He therefore proposed that the unit of the national money should be a dollar of 100 cents, to be coined in both gold and silver at a proportion between the metals of 15:1. These suggestions were embodied in the coinage laws, and a silver dollar was coined weighing 416 grains, and containing 892.4 thousandths fine, or 371.25 grains of pure silver. This was the original and real "Dollar of the Fathers." A gold eagle, of ten dollars, was also coined, weighing 270 grains, 916⅔ thousandths ($\frac{11}{12}$) fine, so that the gold dollar contained 24.75 grains of pure gold. The smaller coins of both metals were of the same fineness as the larger ones, and of proportionate weight. The gold and silver coins, including the Spanish milled dollars, were unlimited legal tender.

But while the ratio between gold and silver established by Congress was 15 : 1, that of the French government was 15.5 : 1, and that prevailing in the London market was 15.42 : 1. Silver was therefore overvalued, as compared with European standards, and in the liquidation of foreign balances gold was exported. In this way silver became the real measure of value, and gold could no longer be kept in circulation. Thus for the

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third time in the history of our coinage the operations of the Gresham law were notably illustrated.

The first thirty years of the present century were marked by alternations of "wild-cat" banking, paper-money inflation, specie suspension and resumption, and a variety of commercial and industrial vicissitudes. Through all this the coinage laws of 1792 remained without important change; and in 1830 gold was at an average premium of five per cent, and had disappeared from circulation. Much of our store of the metal had been drawn to England for the purpose of resumption. In 1833 the amount of gold coined was but $978,500, against $2,759,000 silver.

Under these circumstances it was determined to readjust the legal ratio between gold and silver, and accordingly it was changed from 15 : 1 to 16 : 1. This was done in 1834. In accordance with the new ratio the weight of the gold eagle was reduced from 270 to 258 grains, of which 232 grains were fine gold. Thus, in order to bring it to a level with silver, the gold dollar was debased from 24.75 to 23.20 grains of pure metal.

For the time being the silver dollar remained unchanged, but in 1837 its weight was reduced to 412.5 grains (of which, as before, 371.25 grains were pure metal), and the French standard of $\frac{900}{1000}$ fine for both gold and silver was adopted. The legal ratio of 16 : 1 established by the law of 1834 was continued. The gold eagle now contained $\frac{2}{10}$ of a grain more pure metal than the eagle of 1834, but 15.3 grains less than the eagle of 1792. The silver coins remained of the same standard of fineness as that fixed by the law of 1792, but gold was debased, and this debasement, it was hoped, would establish a permanent association of the two metals. But not so. The inevitable natural laws of trade asserted themselves with as much vigor as ever, in defiance of human statutes. From 1830 to 1840 silver ranged (as compared with gold) from 15.80 to 15.67 in the European market, and in 1851 its ratio declined, in the London quotations, to 15.46. Its average ratio in this country was estimated at 15.60, which made the new gold dollar worth, in silver, but 97.5 cents. Of course everybody preferred, under this state of things, to

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pay in gold, and creditors were defrauded by law out of 2.5 cents on every dollar due them.

Just at this juncture gold began to pour in upon us from the newly discovered mines in California. This increased the facilities for taking depreciated gold bullion to the mint, having it coined, and with the money thus obtained buying silver to sell again at a profit. Bullion dealers and money changers were benefited by this operation, but nobody else. Prices adjusted themselves to the cheaper currency, and silver was largely exported. The only silver coins that would circulate were the worn and clipped ones, and such coins, being worth more here than anywhere else, came drifting to us from abroad.

Thus for the fourth time the Gresham law gave our statesmen an illustration of the futility of attempting to regulate, by statute, the value relations of the precious metals.

The currency situation was now similar to that in England just prior to the adoption of the composite standard, and the measures of relief taken were also similar. On March 3, 1853, a law was passed similar to the English law of 1816, changing the ratio between gold and silver to 14.88 : 1, and making silver coins of less denomination than one dollar a legal tender only for sums under five dollars. The silver dollar of 412.5 grains, having wholly ceased to be current coin, was unaffected by these regulations. It contained the same amount of pure silver as the dollar of 1792, and, under the operations of the double standard laws, had become practically demonetized.

Thus, at length, the composite gold standard[1] was in effect adopted, and silver became (excepting the non-circulating dollar) a subsidiary coinage. The silver coins being worth only .9533 of the gold dollar could no longer be melted down or

[1] The composite legal tender scheme here referred to is thus defined by Professor Jevons: "Coins of one metal are adopted as the standard of value and principal legal tender, and subordinate token coins of other metals are furnished for the purpose of subdivision, being recognized as legal tender only for small amounts. The values of these token coins depend upon that of the standard coins for which they are legally exchangeable, and care is taken to make their weights such that the metallic value will always be less than the legal value. No profit can ever be made by melting such coins, or removing them from the country, and their ratio of exchange with the principal coins is always a simple ratio fixed by law."

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exported with profit, and circulated freely side by side with gold. The coinage of silver bullion — now bought at the market price and coined on government account only — increased rapidly, and the purpose (so long and vainly pursued through the double standard system) of establishing an actual dual currency was at length attained through the composite standard system. This state of the coinage continued until the suspension of specie payments in 1861, and during the period of its operations the country became more prosperous than it had ever been before. The changes in the relative values of gold and silver caused no readjustment of prices and made no difference with trade. The standard of values was steady, and instead of perpetual alternations from gold to silver and silver to gold, the two metals circulated in harmony together and there was an abundance of both.

There was no further coinage legislation of importance until the act of February 12, 1873, the main purpose of which was to systematize and consolidate the coinage laws. By this act, which was prepared under the supervision of Mr. Knox, Comptroller of the Currency, the composite standard system was made legally complete. No important change was made in the gold coinage. Both gold and silver coins continued to be of the standard of .900 fine, the alloy of the silver coins consisting of copper, and the alloy of the gold coins of either copper or silver and copper, the silver in no case exceeding one-tenth of the alloy. The gold dollar at the standard weight of 25.8 grains, 23.22 grains fine, was declared to be the "unit of value," and the gold coins continued to be a legal tender to any amount.

As to the silver coins, some new and important regulations were adopted. A "trade dollar," weighing 420 grains and intended for the convenience of commerce with China and Japan, was added to the list. The other coins established were the fifty-cent piece, or half-dollar, of 12.5 grams or 192.9 grains, and the twenty-five and ten-cent pieces weighing proportionately. All these coins were declared to be a "legal tender at their nominal value for any amount not exceeding five dollars

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in any one payment." An important step in the direction of international coinage was taken by establishing the weight of the half-dollar at just half that of the five-franc silver coin of France, Belgium, and Switzerland, of the five-lire silver coin of Italy, of the five-peseta silver coin of Spain, and of the five-drachma silver coin of Greece.

But the feature of this act which has attracted most attention and excited most controversy is its provision that no coins other than those enumerated in the act shall be issued. The effect of this was to forbid further coinage of the 412.5-grain silver dollar which the operation of the double standard law had driven from circulation. Up to the passage of the act of 1873 that dollar had continued to be a legal tender for any amount. When the act was passed, the currency of the country was paper and not coin; but even had the coin currency been in circulation, the legal tender silver dollar would not have been used. Its value at that time being $1.03½ as compared with the gold dollar, nobody would have paid debts with it. But subsequently the 412.5-grain silver dollar became, by reason of the depreciation of silver, worth less than the 28.5-grain gold dollar, and, in consequence of this, great complaints were made that the cheaper dollar had been dropped from the coinage.

But suppose it had not been so dropped, — that the 412.5-grain silver dollar had remained an unlimited legal tender with privileges of unlimited coinage, — what would have been the result? Simply that we would again have had two different dollars, one dearer and one cheaper, and that everybody would have paid in the cheaper metal; simply that, as soon as the silver dollar became of less value than the gold dollar, everybody would have paid in silver, and that metal, with all its fluctuations, would have become our sole standard, to the great loss of creditors and the great detriment of commerce; and simply that bullion dealers and money changers would have profited, while the great mass of the people would have been gratuitously harmed. In the light of history all this is as plain and certain as a mathematical demonstration.

It has been represented that the provisions of the law of

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1873 discontinuing coinage of the 412.5-grain dollar were surreptitiously enacted, but the facts do not bear out this assertion. The aggregate coinage of that dollar from the foundation of the government up to 1834 had been but 1,369,517 pieces, and from 1834 up to 1873 but 6,676,321 pieces, making an aggregate up to 1873 of but 8,045,838 pieces.[1] For forty years these coins had been worth more than the gold dollar, and when the act of 1873 was passed there were probably not more than 100,000 of them in existence. That act, therefore, simply registered in the form of a statute what had been the unwritten law of the land for nearly half a century.

To say that this was done without publication, or knowledge of what was going on, is to do violence to the truth of history. The bill which subsequently became the coinage act of 1873 was first transmitted to the Senate by the Secretary of the Treasury in April, 1870, and was at that time referred, together with the accompanying report of the Comptroller of the Currency, to the Senate Finance Committee. The report mentioned particularly the provision of the bill discontinuing coinage of the dollar piece, and gave reasons in support of that measure. The Secretary of the Treasury called the attention of Congress to the bill in his reports for 1870, 1871, and 1872, and in his report for 1872 particularly recommended the coinage of a commercial trade dollar and discontinuance of a legal tender currency in silver. In the House of Representatives Hon. William D. Kelley, who had charge of the bill there, declared that the Coinage Committee had "proceeded with great deliberation to go over the bill not only section by section, but word by word." He added that it was "impossible to retain the double standard."

> You cannot determine this year [said he] what will be the relative values of gold and silver next year. . . . Hence all experience has shown that you must have one standard coin which shall be a legal tender for all others, and then you may promote your domestic convenience by having a subsidiary coinage of silver, which shall circulate in all parts of your country as legal tender for a limited amount, and be redeemable at

[1] Ex-Comptroller Knox in the London *Economist.*

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its face value by your government. But gentlemen who oppose this bill insist upon maintaining a silver dollar worth 3.5 cents more than the gold dollar, and seven cents more than two half-dollars, and so long as those provisions remain you cannot keep silver coin in the country.

Mr. Clarkson N. Potter, another prominent member of the House, particularly discussed and commended that feature of the bill making the legal tender coin to consist of "only one metal, instead, as heretofore, of two."

While it was pending in Congress, the bill was printed thirteen times, was considered deliberately by the Finance Committee of the Senate and the Coinage Committee of the House through five different sessions, and went through a course of discussion filling one hundred and forty pages of the Congressional Globe. Surely such is not the process by which surreptitious or corrupt enactments are carried through.

After the passage of the act of 1873 silver continued to depreciate in its relation to gold, as indeed it had already been doing ever since the debasement of the divisional coins by the Latin Union in 1865. The average ratio of gold to silver, which had been but 15.40 in 1864, 15.44 in 1866, 15.60 in 1870, and 15.90 in 1873, rose to 16.15 in 1874, 16.62 in 1875, 17.77 in 1876, and 17.22 in 1877.[1]

In the year 1876 the causes of this depreciation became the subject of an elaborate investigation and report by a select committee of the British Parliament.[2] The conclusions of this committee were, that the fall in the price of silver had been due:

1. To the discovery of new silver mines of great richness in the state of Nevada.

2. To the introduction of a gold currency into Germany in lieu of a previous silver currency.

3. To the decreased demand for silver for export to India.

The following were named as tributary causes:

[1] London quotations.

[2] The members of the committee were: Mr. Baxter, Mr. C. B. Denison, Mr. Goschen, Mr. Kirkman Hodgson, Mr. Hubbard, Lord George Hamilton, Mr. Massey, Mr. Mulholland, Mr. Fawcett, Mr. Cave, Mr. Shaw, Mr. Hermon, and Sir Charles Mills.

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4. That the Scandinavian governments had also substituted gold for silver in their currency.

5. That the Latin Union states had discontinued the free coinage of silver; and

6. That Holland had passed a temporary act prohibiting the coining of silver, except on government account, and authorizing the coining of gold.

In the same year (1876) Congress, by joint resolution, directed that a commission consisting of three senators, three representatives, and three experts should be appointed to inquire:

1. Into the change which has taken place in the relative value of gold and silver, and the causes thereof; and

2. Into the policy of the restoration of the double standard in this country, and the legal relation to be established between gold and silver coins in case of such restoration.

The resolution also ordered investigation as to the policy of continuing legal tender notes concurrently with metallic standards, and as to the best means of facilitating the resumption of specie payments.[1]

Before this commission M. Cernuschi, the distinguished French bimetallist, made an oral statement which has since been published separately in book form.

Three different reports were made from the commission, and constitute, with the accompanying evidence and documents, a volume of 574 pages. The majority report, signed by Messrs. Jones, Bogy, Willard, Bland, and Groesbeck, recommends, as was intended in the composition of the commission, the restoration of the double standard; but the signers of this report were not at all agreed as to the legal ratio that should be established between silver and gold. Messrs. Jones, Bogy, and Willard were for the Latin Union ratio of 15.5 : 1, and Messrs. Groesbeck and Bland were for that of 16 : 1. A separate minority

[1] The commission, as organized, consisted of Messrs. John P. Jones, Lewis V. Bogy, and George S. Boutwell, of the Senate; Messrs. Randall L. Gibson, George Willard, and Richard P. Bland, of the House of Representatives; and Hon. William S. Groesbeck, of Ohio, Professor Francis Bowen, of Massachusetts, and George M. Weston, of Maine.

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report was made by Mr. Boutwell, favoring, for the present, a gold standard, and future adoption of the double standard by general agreement of nations. A second minority report, by Professor Bowen, concurred in by Mr. Gibson, favored the composite standard, with gold as the principal and silver as a subsidiary currency.

While this commission was sitting, the bill known as the "Bland bill," authorizing the free coinage of the 412.5-grain silver dollar and making that coin an unlimited legal tender "except where otherwise provided by contract," was being discussed in Congress. That bill passed the House in November, 1877. It was intended to re-establish the double standard, but in the Senate amendments proposed from the Finance Committee by Mr. Allison were adopted, striking out the free coinage provision and substituting therefor a requirement that the Secretary of the Treasury should purchase, at the market price, not less than two nor more than four million dollars' worth of silver bullion per month and cause the same to be coined, as fast as possible, "into such dollars."

A further provision was offered by Mr. Booth, and adopted, enabling any holder of the coin authorized by the act to deposit the same in the Treasury, in sums not less than ten dollars, and receive therefor certificates of not less than ten dollars each, which should be "receivable for customs, taxes, and all public dues."

A section was also inserted, directing the President to invite the Latin Union and other European states to join the United States in a conference "to adopt a common ratio as between gold and silver, for the purpose of establishing internationally bimetallic money."

The House concurred in the Senate amendments, and in this form the bill went to President Hayes, who vetoed it. On the 28th of February, 1878, it was returned to the House by the President, without his signature, and on the same day was passed by both Houses over the veto and became a law.

This measure does not re-establish the double or alternate standard. It does not authorize any one to take silver bullion

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to the mint, and have it coined into 412.5-grain dollars. In other words, it does not permit or require the free coinage of silver. Had it done so, gold would immediately have taken flight, and silver would have become our sole currency. This would have been just as inevitable in 1878, or afterwards, as it was under the double standard of 1792. But, as the law stands, the gold dollar remains the standard and the unit of all values, including the value of silver bullion. No one can obtain a silver dollar except for the value of a gold dollar, and as long as the national Treasury has a sufficient gold reserve to meet its gold obligations, to maintain the gold standard, and to give a standard gold dollar or its equivalent for a standard silver dollar, the silver dollar will pass current at its token value. But should the government at any time appear to be unable to do these things, the silver dollar would drop to its nominal value, and all contracts would be made payable in gold.

Under the law of 1878, as was the case under the law of 1853 down to 1878, silver is a token or subsidiary currency and gold the standard. But under the law of 1878 the coinage of silver, instead of being regulated by the business demand for subsidiary or divisional coin, as was the case under the law of 1853 and is now the case in England, is made compulsory at a given amount per month. It is further to be noted that the legal tender quality of silver, instead of being limited to small amounts, as under the old law, has been extended to the farthest point to which it is possible to go without at once making silver the standard. We are therefore pushed by the law to the boundary of the alternate standard, as is evinced by the fact that many contracts have already been made payable in gold.

It was expected by the advocates of the Bland-Allison act that it would put a stop to the depreciation of silver; but all such hopes have proven illusive. While the compulsory monthly purchases of silver create an unusual demand for silver bullion, they at the same time apply a stimulus to its production. The quantity of silver dollars coined is already far in excess of the demand for them, and the government is therefore, in effect, precipitating monthly an additional quantity of silver upon an

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already surfeited market. At various times and by various expedients the Treasury has endeavored to discharge its silver hoard into the channels of business, but without avail. Of 233 millions of silver dollars which have been coined in pursuance of the Bland-Allison act, over 165 millions remain in the Treasury, and but 93 millions are represented by silver certificates. The London price of bar silver, which was 55¼*d.* per ounce in the month of February, 1878, when the Bland-Allison act was passed, declined to 49½*d.* in the ensuing December, and averaged but 51¼*d.* in 1879. In January of the present year the London price touched 46½*d.*, which was the lowest point until then ever reached, being ¼*d.* under the worst rate realized in 1876, when the German government was a heavy seller in the market. In short, the London price of silver has never been as high since the passage of the act of 1878 as it was at that time and had been for more than a year before.[1]

It was while silver was thus declining in spite of its compulsory coinage, that the International Monetary Conference of 1881 was held. From the nature of our action in inviting that conference it was inferred that we were eager to go into a league with the very governments having large stores of silver to sell, by which we would virtually have surrendered the independent control of our coinage and have pledged ourselves to open our mints to the free coinage of silver at a fixed ratio, regardless of its market value! In reference to this action it has been fitly remarked by Professor Sumner that

> Other nations looked on with pleased astonishment to see us come forward to assume their burdens for them. They had been waiting to find somebody on whom to unload their stock of silver, not expecting that anybody would be sufficiently ignorant and foolish, but the United States stepped forth and offered to take it.

To this caustic comment may be properly added the admonition of Washington's Farewell Address that we should "steer clear of permanent alliances with any portion of the foreign world" — an admonition to which the rumored support by Ger-

[1] During the first week of the month of August just ended, the price of bar silver ranged as low as 42*d.* in the London market.

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many of the protests of Belgium against the demands of France under the Latin Union covenant gives at this time special force and significance. For, we may well ask, should the United States belong to a similar league, what would prevent other powers from intriguing against us and our interests in like manner? And if other parties to the league should, for their own benefit and to our injury, neglect or refuse to comply with its terms, how are we to enforce the compact except by war? Moreover, why should we in any event sign away, or by any sort of international alliance compromise our unfettered control and regulation of our own monetary system?

That the system of the double standard, if adopted by all or most of the leading nations of the world, would be of great benefit to all concerned might or might not be the case, but we may be very sure that, as Mr. Bagehot pungently remarks, "a system which requires that every one should agree to make it good is certainly a system which is difficult to make good, and which is always liable to become bad."

ALFRED E. LEE.

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THE TAXATION OF LABOR.

The American Theory.

THE system of taxation which the great mass of Americans instinctively accept is this: The equal taxation of all property, the non-taxation of labor.

A generation ago taxation in America was in substantial conformity with this principle; but during the past thirty years an industrial revolution has been accomplished, and vast political changes have accompanied it. The democratic principle of taxation has been lost sight of. To-day almost half of the nation's property is untaxed, and more than half of the taxation falls upon the wages of labor.

Before passing judgment upon the state of affairs which now exists, it is our duty to examine rigorously the justice of the principle which has been compromised.

The system of taxation which the American communities adopted was radically different from anything which Europe had known. Ferdinand Lassalle has summed up the history of European taxation more brilliantly than any one else, and Lassalle says that Europe has known but two systems: the first was that of the land-holding aristocracies, and its cardinal principle was the non-taxation of land; the second is that of the capital-holding plutocracies, and its cardinal principle is the non-taxation of capital. Inasmuch as the cardinal principle of the democratic communities of America was the non-taxation of labor, the contrast is complete.

There is one part of this generalization which some may doubt. No one will doubt that the land-holding aristocracies established the tax-exemption of land. In fact it was this more than any other one thing which caused and justified the French revolution. No one will doubt that the principle established in America was the tax-exemption of wages. But it is sometimes

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bitterly denied that the government of the rich business men (the plutocracy) has resulted, or is resulting, in the non-taxation of capital. The European socialists believe it, and it is their most powerful argument in stirring up the hatred of the poorer classes. Inasmuch as our own system of national taxation is a copy (or perhaps a caricature) of this European system which Lassalle attacked, it may be well for us to examine how far his accusations were true.

Fortunately M. Leroy-Beaulieu, the leader of the "orthodox" school of taxationists, has discussed this point much at length in the preface to the last edition of his works.[1] Now M. Leroy-Beaulieu hates socialism with a true and perfect hatred. He not only hates socialism itself, but he hates everything which socialism does not hate. His entire argument is an attempt to prove that the poorer classes are in no way wronged by existing society. His paper is long and scholarly, and in some of its details captivatingly honest. The gist of it is as follows: He takes as the representative of the capitalists a Parisian with $400,000, yielding four per cent interest, and as his representative of the laboring class an orator in a workingmen's congress, who had said that his own earnings were $260 a year, those of his son the same, and those of his wife $160. Leroy-Beaulieu calculates the taxes, direct and indirect, which each family pays. He calculates that the poor family pays $72 per year, or 10.8 per cent of its income. He calculates that the family of the capitalist, consisting of *eight* persons, pays between $2120 and $2720 in taxes, or between 13 and 17 per cent of its income. Without calling attention to the minor unfairnesses in the argument, let us notice for a moment its main premises:

(1) Leroy-Beaulieu assumes that his representative capitalist has no income from personal services, and realizes only 4 per cent on his capital. Mr. Robert Giffen, the greatest of English statisticians, assumes that English investments average 5½ per cent. Therefore the capitalist does not pay more than 11 per cent of his probable income.

(2) In the case of the laborer it is assumed that the family

[1] Traité de la Science des Finances, vol. ii., pp. 8–15.

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of the workman orator is a representative one. Yet this family consisted of three adults, the income of each of whom is greater than that of the average French laborer! Among French laborers a total income of $680 supports an average of seven or eight consumers instead of three; in other words, pays $150 a year in indirect taxes instead of $72. If, then, the great defender of the plutocracy has made no mistake outside of his premises, it is obvious that the Parisian capitalist pays not more than eleven per cent of his income in taxes while the Parisian laborer pays more than twenty. As the average taxation in Paris is $40 per head, while the average income cannot exceed $200, it is painfully obvious that 20 per cent is the very least taxation which can be assumed for the Parisian laborer. In case the American principle is right, in case the wages of labor ought not to be taxed at all, then the injustice of French taxation is such as assures another triumph of the red flag.

The situation in England is almost as bad. Though the English system of taxation is constantly spoken of in terms of the greatest admiration, yet out of $600,000,000 raised annually, only $80,000,000 is the product of the direct taxes upon property.[1] Of this sum about $50,000,000 is derived from the income tax — not one-tenth of the sum total of English taxes! Yet if you listen to the constant complaints of the upper classes in England, who of course control the newspapers, you would suppose that the income tax was almost the only burden to which the English people are subjected. That part of the tax upon property which is not raised by the income tax is principally raised by the tax upon inheritances. It seems that the only time the English government can safely touch a great capitalist is when he is dead. The English tax upon land has not been increased since 1692. Meanwhile the land has increased tenfold in value. Were it not for the efforts of the liberal party in England, led by Cobden and Bright and Glad-

[1] The English local taxes ("rates") are levied upon the occupiers and not upon the owners of the property. Thus the renters are often taxed to make improvements which enhance the value of the landlords' property. The landlords not only nominally but really escape taxation. See Thorold Rogers, *Journal of the Statistical Society*, 1870.

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stone and Chamberlain, the entire taxation would be paid by nobodies; for the feeling of the influential classes is that what is paid by nobodies, nobody pays. This feeling is not unknown in America.

But European theory is not so bad as European practice.

In 1776 Adam Smith wrote in the neighborhood of one hundred pages upon the subject of taxation. Now Adam Smith had common sense until it amounted to genius, and his ideas were democratic when compared with the current theory and practice of his times. What has been said by the English school of economists since his time is generally a dilution or an adulteration of the thinking contained in Smith's one hundred pages. Smith's cardinal principle was this:

> The subjects of every state ought to contribute toward the support of the government as nearly as possible *in proportion to their respective abilities* . . . that is, *in proportion to the revenue* which they respectively enjoy under the protection of the state.

No one has ever doubted the justice of the first clause of this proposition — subjects should contribute in proportion to their respective abilities — but it seems that even Smith doubted the justice of the second clause, *viz.*, that tax-paying ability is in proportion to income. Elsewhere in his work Smith says that it is not unreasonable that the rich should be taxed somewhat more than in proportion to their incomes. But Smith's more orthodox followers have insisted upon the strict mathematical formula that taxation should be in exact proportion to the income.

This is the English theory of taxation; tremendously preferable to English practice, but in striking contrast to the theory employed by our own local governments. Are foreign writers correct in denouncing our system as the crudest ever employed by a civilized people, or is the instinct of social justice more true in our American villages than among the *élite* of culture in Europe?

Stated concretely the English theory is this: If the capitalist with $40,000 a year ought to pay $2000 in taxes, then the laborer with $400 a year ought to pay $20 in taxes. In other

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words, if society is so constituted that one man without work receives the same income as the aggregate of one hundred others who do work, the $40,000 which supports the one hundred should pay the same amount to the state as the $40,000 which supports the one!

But it is perhaps unfair to settle an important question of philosophy by an appeal to popular instinct. It may be that the American instinct is wrong and the English philosophy is right.

Fortunately the German philosophers come somewhat to our rescue. The economists of Germany insist that the ability to pay increases faster than the income, and that the percentage of taxation should be higher on the larger incomes. In accordance with this idea the income taxes of the different German states are progressive and not proportional. This system is favored by humane economists, yet the elaborateness and arbitrariness of these German systems of progressive taxation would condemn them in a country like our own. The progressive income tax, as Proudhon[1] remarks, is a mere "plaything of democracy." To tax an income of $600 four per cent, and an income of $700 four and one-half per cent, is completely arbitrary. It is based upon no principle which is obvious enough to be made the basis of a practical system of reform. The only obvious principle involved in progressive taxation is this: An existence minimum should be exempt. All sums over and above may be taxed proportionately. This is the position taken by Rau and Schæffle in Germany, by Mill in England, and by General Walker in America, and it must be insisted upon as the basis of every possible reform. He who has barely enough to provide his family with the necessities of life should pay no taxes.

This principle is as reasonable from an economic standpoint as it is from the standpoint of justice and humanity. Looked upon merely as a national investment, it pays the nation to try to secure a strong and hopeful laboring class. There is no public enterprise which is so necessary to the national welfare; and

[1] See Leroy-Beaulieu, Traité de la Science des Finances, vol. ii., p. 152.

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whereas public charity often breeds pauperism by helping the least deserving, relief from taxation prevents pauperism. The best part of the laboring class does not want charity, but it does want its earnings. When statesmen tax these earnings, the laboring class is discouraged and enfeebled and the national wealth is lessened.

But here we are confronted by the economic doctrine that taxing the laborer raises wages! Strange to say Adam Smith believed this. Malthus, Ricardo, and their followers not only believed it but proved it. For, they argued, the natural price of a laborer, like the natural price of a horse, is the cost of his reproduction. Whatever makes it cost more to reproduce the laborer will raise the price of labor. Hence taxation will raise wages. This doctrine of the economists was of course accepted by the ruling classes, and they have shown their deep-seated humanity by levying heavy taxes in the interest of high wages. However, the time came when the delusion served a good purpose. At the time of the agitation for the repeal of the protective duty of 70 cents a bushel on wheat, the rich manufacturers hoped that the abolition of the tax would result in the lowering of wages and the enlargement of profits. Contrary to their expectation, the repeal of the tax was followed by an unprecedented rise in wages.

Ricardo's entire wage-law has been proven false. It is unnecessary here to recapitulate the demonstration. All that I shall add is that the doctrine that the taxation of the laborer raises wages is not only false, but must be reversed. Not only does the entire weight of the taxation rest upon the laborer, but his wages are lessened by more than the nominal amount of the tax.

If laborers were animals who propagated as fast as there were means of subsistence, then Ricardo's argument would be unanswerable. The price of the laborer would be the cost of his reproduction. But men do not so propagate. Instead of higher wages meaning more children, higher wages generally mean fewer children. Taxing the laboring class tends to degrade them till the animal law has fuller force; therefore low

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wages tend to lower wages. When the government taxes wages, there is no recuperative tendency, but on the contrary the impulse is given to still greater deterioration. When the laboring class is compelled by taxation to resort to less nourishing food and hotter stimulants, they are not only robbed of present earnings, but their capacity for future earning is also lessened. In this way not only is the laborer robbed and doubly robbed, but the productiveness of his work is lessened, and the national wealth decreased.

We are thus brought by economic study as well as by moral instinct to the conclusion that the direct or indirect taxation of a family's necessary income must under no circumstance be tolerated. The carrying out of this doctrine in Europe would mean a revolution; its carrying out in America will mean a reform of the most radical nature.

When we continue our study of the theory that the income tax is the ideal tax, we are struck by the fact that there are different kinds of incomes. One man has $2,000 a year income from a farm which is constantly increasing in value; another has the same income from a quarry which will be exhausted in five or six years. Ought the two men to be taxed alike? Have they equal ability to pay? The farm of the one is worth $50,000, the quarry of the other is worth $10,000. That both should be taxed alike is nonsense so obvious that it would be nonsense to stop to prove it. Nevertheless English economists, with John Stuart Mill at their head, assert that the temporary income of a laborer should be taxed as heavily as the permanent income of a capitalist. Out of deference to authority it is perhaps well to examine Mr. Mill's argument.

Mr. Mill compares a life annuity of £100 with a permanent income of the same amount derived from an investment. He admits that the life annuity of £100 could only be sold for £1500, while the permanent annuity could be sold for £3000. Yet he maintains that if the latter annuity is taxed £10 a year, the former should be taxed the same. For, says he, the former annuity will only be taxed during the life of the annuitant, while the latter annuity will be taxed forever. A tax of

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£10 a year for life has a capitalized value of £150; a tax of £10 a year in perpetuity has a capitalized value of £300. Therefore, says Mr. Mill, justice requires that the permanent income and the temporary income shall be taxed the same per cent. No one can fail to admire the ingenuity of this argument. The trouble is that Mr. Mill has refused to look at the question in the simple way in which any one could understand it and, instead of this, has looked at it in an ingenious way in which he does not understand it himself. If Mr. Mill allows the possessor of a permanent income, the owner of a piece of ground for instance, to place to his credit all the taxes which his land will pay in the eternal future, he ought also to allow the owner to place to his credit all the taxes which the land has paid in the centuries past. If the land has already paid £300 in taxes, the present possessor should not be taxed at all. Mr. Mill is the last person in the world who would admit this. Mr. Mill lays down very clearly that justice requires every person to be taxed in proportion to his ability. In the argument before us he discusses not justice to *persons*, which is the true meaning of justice, but justice to *incomes*, which is nonsense. If he had looked at the question simply, he would have said that the owner of the permanent income of £100 could exchange it for a life annuity of £200 and was able to be taxed accordingly.

It is therefore clear that in the above example the income tax upon a life annuity should be reduced to one-half. Ought an income from labor to be taxed as much as a life annuity? The capitalized value of the £100 rental was £3000; the capitalized value of the £100 annuity was £1500; the capitalized value of £100 income from labor is — nothing. Ought the laborer to be taxed as much as the annuitant?

If the state levies all of its taxes upon capital, it still secures to the capitalist his own earnings and the accumulations of his ancestors and from four to six per cent interest on these accumulations. If it does all this for the capitalist, it ought certainly to secure to the laborer the earnings of his own work.

Bur let us waive for the moment this American doctrine that wages should not be taxed. Let us assume the European

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dogma that the annuitant and the laborer should pay the same tax upon their £100 incomes, though the one income is conditioned upon labor and has no market value,[1] while the other income is unconditioned and is worth in the market £1500. On this basis, where ought the burden of English taxation to rest?

In Great Britain in 1875 the amount of capital, according to Mr. Robert Giffen's estimate, was $43,000,000,000; the income from the same $2,400,000,000. Those who participated in this income did not exceed 1,500,000 families. This same sum of $2,400,000,000 is (judging from Baxter's estimates) the approximate income of the 7,500,000 families of laborers. How much ought each class to be taxed?

First, we must exempt each family's "necessary income." American public sentiment would say at least $300 a year, but we will accept Mill's figure, $250. The 1,500,000 families of the capitalist class have an average "labor" income of $500. For the sake of argument we will exempt this entire amount, and tax the capitalist class only upon the $2,400,000,000 income from capital. If now we allow each laborer's family an exemption of $250, we exempt $1,875,000,000, leaving $525,000,000 subject to taxation.

But this $525,000,000 is not a permanent income from capital, but a temporary income from labor with no capitalized value at all. Yet for the sake of argument let it be conceded to be half as valuable as the same income from capital. Thus the laboring class should be taxed on $250,000,000; the capital class on $2,400,000,000. Inasmuch as the aggregate of English taxation is about $600,000,000, the capitalist class ought to pay $540,000,000, and the laboring class $60,000,000. At the present time England levies from the laboring class over $100,000,000 by its tax upon intoxicants. If, then, it should try to adopt a just income tax, it would be forced to adopt the American system of the direct taxation of capital and exemption of wages. In other words, *a property tax is the only just income tax.*

[1] There are certain labor incomes which may be said to have capitalized-value, *e.g.*, those above $1000. But these incomes are exceptional and generally belong to the capitalist class.

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When I say that the property tax is the only just income tax, I do not mean to claim that it is the ideal income tax. A great deal has been said about the large professional incomes which it permits to escape untouched. In fact, so much has been said about this that the whole subject has been enveloped in the fog thus generated. I do not deny the objection, but simply contemn the sense of perspective of those who urge it. Doctors and lawyers occupy a large place in the national imagination, but their incomes occupy a very small place in the nation's ledger. They do not receive one per cent of the national income. Furthermore, the possessors of the great part of this one per cent are taxed with reasonable justice by the taxation of property. That a system shall be just in its general outlines is all that we have a right to ask for or to talk about. To ask, as German professors do, that the government shall microscopically examine the business and personal relations of each citizen and take into account how much his tax-paying ability is affected by lucky or unlucky speculations, local rise or fall in real estate, sickness in the family, number of children, *etc.*, is absolutely unjustifiable except under an all-wise, all-powerful, and all-just paternal government, which institution neither the Germans nor ourselves at present possess.

When we come to examine the practical workings of an income tax, we condemn it more than when we simply discuss its abstract justice.

In the first place, no state has ever dared attempt to carry it out. It is a direct tax; and as the nation knows that it is being taxed, the nation's sense of justice is able in a measure to assert itself. This sense of justice has nowhere permitted a proportional income tax.

In England all incomes less than $750 are exempt. The result is not only an exemption of "necessary incomes," but of labor incomes generally. In Prussia, by the law of 1883, all incomes less than $225 are exempt, and the tax of 3 per cent is first reached at $750. It is not until we reach the domain of incomes from capital that the income tax proper is permitted to begin.

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Yet even this democratic income tax is hardly more than a farce. So great is the amount of fraud which it causes, so great is its injustice to those who are so honest or unfortunate that their real incomes are known, that only the most thorough-going haters of the plutocracy are in favor of changing the tax from a "democratic plaything" into the great source of revenue. In Prussia only one-eighth and in England only one-twelfth of the revenue is derived from the income tax. Were it the one source of revenue instead of a trifle, the fraud and injustice it occasions would be increased tenfold.

Of all the German states, Saxony has, perhaps, succeeded best in carrying out its income tax. The Saxon statistics are thoroughly worthy of study.

Incomes under $75 are exempt from taxation. Out of a population of 2,760,000, 999,217 were assessed.

The national income was as follows:[1]

	Official Statistics.	Probable Statistics.
From Lands and Houses	$55,000,000	$60,000,000
From Stocks and Negotiable Paper . .	27,000,000	54,000,000
From Salaries (Wages)	76,000,000	100,000,000
From Profits in Manufactures and Trades	98,000,000	200,000,000
Total	$256,000,000	$414,000,000
Deduct Interest on Mortgages . . .	21,000,000	21,000,000
Net Income	$235,000,000	$393,000,000

The national income was divided as follows:

Incomes	Per cent of National Income.	Per cent of Tax Payers.
Between $75 and $275 embraced	47	84
" 275 " 550 "	16	10
" 550 " 2,100 "	20	5
" 2,100 " 135,000 "	17	1

[1] Schaeffle, Steuerpolitik, p. 138.

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The first point which strikes our attention in these tables is this: The incomes from wages and salaries constitute only one-third of the returned income, and only one-fourth of the probable income of the nation.[1]

Certainly this class ought not to be taxed at all. Yet this class pays most of the taxes. By these taxes its wages are reduced to that starvation point which makes the laborers unable to earn anything. No one who has seen five Saxon laborers employed in unloading a brick-wagon, by passing the brick along one at a time, and five more in a similar way doing the work of one American hod-carrier, will wonder why Saxon wages are so low. The laboring class is so starved that it cannot earn greater wages. Yet economists are found who say that taxation raises wages!

The second point which strikes our attention is that 84 per cent of the tax-payers return incomes of less than $275. It is evident that there is a great amount of fraud perpetrated, even in regard to the small incomes.

But the principal point which strikes our attention is the immense frauds perpetrated by the capitalist class. Almost the entire capital of Saxony is owned by men having incomes above $275 a year. This capital, if we may judge from French statistics, is about $3,000,000,000. But if we suppose that this capitalist class owns only $2,400,000,000 of capital, and realizes therefrom only 5 per cent (half a per cent less than Giffen's supposition for England), its income from capital would still be $120,000,000. Yet, according to the returns, $120,000,000 is its total income. According to the returns, the 160,000 most successful business and professional men in Saxony earn an aggregate income of — *nothing!*

These facts completely nullify the strongest of all arguments for the income tax. I mean that of Professor Wagner of Berlin — Bismarck's organ among political scientists. Professor Wagner believes that there should be as many kinds of taxes as there are kinds of incomes. He admits that an

[1] This point is commended to the attention of those American "statisticians" who say that labor receives ninety per cent of our national income.

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income from capital should be taxed twice as heavily as the same income from labor, and urges that the income from capital be struck by both the property tax and the income tax, while the income from labor be struck by the income tax only. In the light of statistics this apparently strong position is worthless. The income tax does not supplement the property tax except in the case of the very poor, the very honest, and the very unfortunate. Professor Wagner believes in the principle of progressive taxation. Yet the least socialistic form of this doctrine is the exemption of necessary incomes, and the proportional tax of all that is over and above. In other words, the mildest form of Professor Wagner's doctrine practically means *the non-taxation of labor, the proportional taxation of property.*

But if in Saxony we are forced to the conclusion that even a rationalized income tax is a failure, what shall we say of it in lands where the government is not so all-vigilant and all-powerful?

Austria and Italy are cases in point. In both countries a certain income is exempt. In Austria the percentage of taxation grades from one to ten. In Italy incomes from property are taxed twice as much as incomes from labor. Thus in both countries public sentiment has reformed the income tax and brought it in accordance with the principles of justice. But how about the principles of honesty?

In Austria, Schaeffle tells us, more than half the national income is derived from agriculture. Yet the total income returned in 1878, by those engaged in farming, was $80,000,000. If these returns were correct, the Austrian government spends more than the aggregate income of all the people! The taxation is more than 100 per cent of the incomes!

In Italy the success of the government is quite as bad, though it is more difficult to make a comprehensive statement of the result. Very significant, however, is the fact that the fourteen thousand lawyers return an average income of $146, while the eight thousand doctors return an average of $89!

Some of the cantons of Switzerland are democratic enough to have a property tax as well as an income tax. This gives us

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an opportunity to compare the two. (The following statistics for Neuchatel are condensed from those of Leroy-Beaulieu.)

Fortunes (Francs).	No. of Owners.	Total Amount (Francs).
0— 50,000	42,245	168,980,000
50,000— 200,000	1,021	104,300,000
200,000—1,000,000	281	105,150,000
1,000,000—	14	22,750,000
Incomes (Francs).	**No. of Owners.**	**Total (Francs).**
0— 3,000	42,714	25,628,000
3,000— 8,000	815	3,704,000
8,000—30,000	117	1,473,000
30,000—	5	215,000

1316 persons returned fortunes of over $10,000, yet only 937 return incomes of over $600! Leroy-Beaulieu speaks of the American system of taxing property as the "grossest system used in modern times." He is righteously indignant over the frauds which it occasions. Nevertheless the frauds occasioned by the income tax are double those occasioned by the property tax. The government of Neuchatel was able to prove that its hundred richest citizens possessed an aggregate fortune of $14,500,000; yet it could only prove that they had an aggregate income of $290,000, exactly 2 per cent of the demonstrated capital. If we assume that capital in Neuchatel yields but 4 per cent, then the personal services of these hundred rich business men yielded $290,000 less than nothing. While political scientists have always urged that an income tax was needed in order that the large incomes from personal services should not be exempt, we find that these incomes are exempt, that the money-making classes are enabled to pretend that they earn nothing and even that they lose money by engaging in business. We must, therefore, sum up by saying that the direct taxation of labor is an outrage in the case of the poorer classes,

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and a fraud in the case of the richer. The proportional income tax, which has been the eternal hobby of the orthodox school of economists, is a crime against the poor and a glaring injustice against the incomes from labor. The most absolute governments have not dared to enforce it. What they have pretended to enforce is the progressive income tax, and this, whenever just, resolves itself into the American doctrine: *The non-taxation of labor, the proportional taxation of capital.*

The Burden of National Taxation.

The European theory of taxation would seem to be the essence of plutocracy, were it not that we must compare it with the practice. With few exceptions, the income tax is the most equitable tax in Europe, and is far more equitable than our own system of national taxation.

The reason for this is not hard to find. The income tax is a direct tax which arouses the attention of all classes and is necessarily controlled by public opinion. The crying injustices arise in the domain where the control of public opinion is escaped. It is hard to rob the laboring classes when they are awake; it is easy to rob them when they are asleep. When the laborer pays one dollar income tax, he knows that he is paying something for which the government is responsible, and he holds it responsible. When he pays fifteen dollars for a shoddy suit of clothes, or eight dollars a month for a hovel, he does not hold the government responsible, but thinks this price is a part of "the nature of things" against which it is hopeless to struggle. As a consequence it is harder for the government to rob the laborers of five millions by means of an income tax than to defraud them of five hundred millions by means of indirect taxation. A tax which is not controlled by public opinion must be controlled by the interests of the governing classes.[1] To

[1] It is perhaps worth while to notice the extreme popularity which attended the repeal of the stamp duty on bank checks, three years ago. Every business man and every newspaper rejoiced to see the tax removed. Not even the bitterest free-traders suggested that our revenue would be reduced just as much by removing the tax on rice. Not one man in ten thousand knew there was such a tax. Yet the tax on

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abandon the control of public opinion in the realm of taxation is to abandon democracy.

The plutocratic significance of indirect taxation received its first powerful exposition from Ferdinand Lassalle in his oration entitled *The Indirect Tax and the Position of the Laboring Classes.* Lassalle said that the indirect tax was the institution through which the *bourgeoisie* (the capitalist class) realizes for capital freedom from taxation and throws the public burdens upon the poorer classes of society. The democracy of Germany knew that he told them the truth, and they are fighting to-day for "a single progressive income tax in state and community, instead of all existing taxes, especially the labor-crushing indirect tax."

At the beginning of our government, indirect taxation was extremely unpopular in America. In fact, the colonists had felt its pressure so keenly under English rule that only the absolute necessities of the central government secured its reintroduction. Having once been adopted, however, the most influential classes became interested in its development. The necessities of the government, the justice of retaliation, and the theory of "protection" were all pleaded in favor of the indirect taxes, and up to 1846 the party favoring them scored victory after victory. Between 1846 and 1860 a decided change for the better took place, and indirect taxes became more and more unpopular. But then came the war. The rank and file of the people thought that any system of taxation was justifiable. The great lobbying interests saw to it that instead of their being taxed they became the recipients of taxation. What Lassalle had said of Europe became true of the national taxation in America. The capitalist class obtained immunity from taxation; the public burdens were thrown upon the poorer classes of society.

That this is the necessary result of indirect taxation ought not to require a more extended demonstration. But inasmuch as very many sensible people have been persuaded to disbelieve

checks rarely amounted to one-tenth of one per cent, while the tax on rice amounts to 114 per cent.

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it, and inasmuch as it is the all-important fact in taxation, it is worth while to give it a severe demonstration.

As a starting-point for this demonstration I shall state that what I wish to prove is nothing more than what is freely granted by Professor von Stein of Vienna, one of the greatest defenders of indirect taxes. Von Stein's words are as follows:

> While direct taxation carries out the taxing of capital as the basis of incomes, *indirect taxation is the taxation of labor*. This is its simplest and clearest conception. So long as there has been a science of finance this conception has scarcely been seriously doubted.[1]

While the great advocate of indirect taxation speaks thus, we find ten thousand small advocates of the system claiming that they are the friends of the laborers because "indirect taxation is the taxation of the consumer."

The laboring class are spoken of as producers, the capitalist class as consumers. Hence the cry-word, "Tax the consumer." Unfortunately the popular significance of the word consumer is not the same as its legal significance. In the eyes of the law whoever makes money, whether from capital or labor, is a producer; whoever spends it, is a consumer. Therefore a law to tax the consumer taxes the laborer upon his entire income, since he spends it all, and taxes the capitalist on only about half of his income, since that is all that he spends. The grotesque injustice of such a tax can best be seen by referring to the practical example of the capitalist with $40,000 a year. In the eyes of the law this man "produces" the same amount of wealth as the hundred laboring men whom he employs at the high wages of $400 each. The $40,000 received in wages supports a hundred families; the $40,000 received as profits supports one family. According to American ideas, the burdens of the state ought not to rest at all upon the first $40,000. But if the demagogic cry of taxing the consumer be adopted, where must the burden rest? The hundred families of laborers need their entire $40,000, while the capitalist family needs but $10,000. Not only *must* the taxation of the consumer fail to exempt the laborers,

[1] Lehrbuch der Finanzwissenschaft, vol. ii., p. 170.

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but *must* tax them upon four times the amount on which it taxes the capitalist.

But this is not the worst of it. The injustice which *must* result from this system, is small compared with the injustice which *does* result.

Our indirect taxes are levied upon articles which constitute a small item in the expenditures of the rich, and a large item in the expenditures of the poor. The expenses of the rich are largely for servants, horses, travelling, *etc.*, upon which there is no tax. The burden of national taxation rests principally upon the following objects: wearing apparel, $60,000,000; sugar, rice, *etc.*, $55,000,000; whiskey, tobacco, *etc.*, $127,000,000. Three-fourths of our national revenue is derived from these three classes of articles. The taxes upon tools, stove-ware, tin-ware, *etc.*, are equally unjust, but the consideration of them in this connection would simply prolong the argument. We will merely examine the distribution of the heavy taxes above referred to.

It is sometimes claimed that the taxes upon wearing apparel are heaviest upon the goods worn by the rich. This remark implies complete ignorance of the influence of *specific* taxes. If a tax is five cents a pound upon all goods of a certain kind, this will be a tax of 20 per cent upon goods worth twenty-five cents a pound, and a tax of 40 per cent upon goods worth twelve and a half cents per pound. So many of our national duties are specific that the poorer grades of goods are taxed more heavily than the better.

How much do our laborers with $40,000, and our capitalists with $40,000, each spend for cloth and dry goods?

A sharp distinction must be drawn between expenditures for wearing apparel and expenditures for dry goods and cloth. The tax is upon the latter. Stylish people pay more for the making-up of their goods than they pay for the goods themselves. Upon this making-up there is no tax. A capitalist may spend nine times as much for clothing as the laborer, and not spend more than six times as much for cloth. At all events, it is safe to say that one hundred laboring families, with $40,000 a year, use

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ten times as much dry goods and cloth as the capitalist family with the same income.

The duty upon sugar is the same for all classes, about 73 per cent. At the same time it is true that all classes consume about the same amount. Certainly the capitalist does not eat more than four times as much sugar as the laborer. It is, therefore, safe to say that the one hundred laboring families pay twenty-five times as much of the sugar tax as does our capitalist with the same income.

It is possible that the capitalist spends eight times as much for tobacco and stimulants as does the laborer. The tax upon tobacco is really, though not nominally, an *ad valorem* duty of something over 100 per cent; but the tax upon capitalists' wines is only 60 per cent, while that upon the laborers' whiskey is 300 per cent—five times as great. It is, therefore, certain that our hundred laborers pay forty times as much of these taxes on luxuries as does our capitalist of like income.

According to the principles of the Prussian income tax, these laborers ought to pay one-fourth as much as the capitalist. According to the American principles they ought to pay nothing. Yet these taxes of the consumer compel them to pay, on the average, *twenty times* as much as the capitalist of like income. Let it be objected that our capitalist is the exceptional one.[1] Let us divide his income in two and let his expenditures remain the same. The result is still startling. *The taxation of the consumer, instead of exempting the laborer, taxes him ten times as heavily as the capitalist.*

In discussing indirect taxation we are brought face to face with the question of protection. We will avoid the old discussion as to whether "protection" increases or diminishes the aggregate wealth of the nation, and confine ourselves to its effect upon the laboring classes.

The first troublesome question is the extent of these protective taxes. It is easy to find out that our indirect taxation assesses $350,000,000 for revenue; how much does it assess for protection?

[1] See statistics on page 410.

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Anything which is said upon this subject cannot claim to be much better than a guess. The free-trade politicians are in the habit of representing that it is a sum in the neighborhood of $350,000,000. The protection politicians take two contradictory grounds; one that the tax is insignificant, the other that without the tax one-third of the industries of the country would be bankrupt. According to the protectionists, therefore, the amount of aid which protected industries receive from the government is anywhere from nothing to one billion. A short study of the facts may bring us to results somewhat more satisfactory.

The class which has always demanded protection in America consists of mine-owners and manufacturers. The protection accorded to the owners of sugar plantations, sheep farms, *etc.*, does not probably exceed $20,000,000. Even of this sum the great bulk is paid in the first instance by the manufacturers. The same remark applies to the mining products. When therefore we consider the amount of taxation devoted to protection, we may almost confine our attention to the manufactories.

We have only to glance at our manufacturing statistics to notice that the majority of these industries are not even nominally protected.[1] We may assume that one-third of them are. Our total manufacturing industries produced in 1880 a gross product of $5,369,000,000. We may therefore assume that our protected industries produced $1,800,000,000. The average protective tax is 46 per cent. The manufacturers claim that they need the whole of it. We cannot assume, however, that on the average they sell their goods for more than 20 per cent above free trade prices. The inference is that the advance which they receive through taxation is about $300,000,000. But we must remember that the finished product of one manufactory is often the raw material of another. These same manufactories pay $1,100,000,000 for raw material. On this raw material we may suppose that they have had to pay an advance of $140,000,000 on account of protection. The part of this which goes to mine-owners and wool-growers we should not de-

[1] *E.g.*, blacksmiths, printers, carpenters, and masons are not protected.

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duct, but we should deduct what goes to other manufacturers and to the custom house. In other words, we ought to deduct about $100,000,000 from the $300,000,000 which the manufacturers at first seem to receive. Our result is that the protective taxes levied upon the consumer amount to about $200,000,000.

It does not fall within the scope of this paper to discuss whether or not it is a profitable investment to donate these $200,000,000 to industries which are not self-supporting. The free-traders claim that it is a dead loss, and perhaps worse than a dead loss. The protectionists claim that it is a most brilliant piece of statesmanship. The country has heard the arguments over and over again. The South, including the business men, believes in free trade. Pennsylvania, including the scholars, believes in protection. Throughout the rest of the country, the investigators are decided free-traders; the manufacturers and mine-owners are decided protectionists. The general public believes with its party, or, more properly, does not believe at all. It never will. The question how many millions richer or poorer the country is made by protection is a question for specialists. It is not a political question. The question how many millions protection takes from the poorer class in order to protect the richer is, in the highest degree, a political question. The lamentable distribution of wealth is our greatest source of discontent and suffering. If the rich, who are the staunch advocates of protection, really believe in it, let them pay for it. If they will do this, the democratic scholar will turn his attention to other questions.

But here we are met by the pitiful pretence that protection raises wages. From the historical standpoint this plea is peculiarly interesting. When Henry Clay urged protection, half a century ago, Mr. Webster said: Our high wages prevent our engaging in the industries which demand to be protected. Our ordinary labor is worth sixty cents a day; that of Sweden is worth seven cents. We cannot afford to have our productive labor engage in work where it only produces seven cents a day.

Mr. Clay replied: The labor bill is a very small item in manufacturing industries. The work is so largely done by ma-

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chines that we need not take the labor point into consideration. We see that Clay admitted that the tremendous difference then existing between American and foreign wages was an objection to protection. Protectionists now pretend that this difference (which still exists in a lesser degree) is due to protection. Every lobby which has gone to Congress has said that the high wages already existing prevented their industry. The same persons are now going before the country asserting that their industries have caused these high wages.

If the capitalists of this country believe in levying taxes so as "to make wages high," why do they not urge that it be done directly? If one-tenth of the profits of capital were taken by the government and given to the wage-receiving class, these capitalists would cry socialism, anarchy, robbery. Yet they urge from the stump that we must "tax the rich consumer in order to pay high wages." The sham is apparent. Protection is socialism, but it is socialism of a perverted kind. It takes from one class what it earns, in order to give to another class what it does not earn. The reason why protection-socialism is respectable is because, instead of taking the "earnings" of the plutocracy to benefit the rank and file, it takes from the rank and file to benefit the plutocracy.

Protection makes American wages high! Why, in proportion to the work done, American wages are as low as French wages or German wages. In England the successful manufacturer demands six per cent on his capital; in Germany he demands eight per cent; in America he demands ten per cent. American wages are high, but not with respect to the value of the work done. One would suppose from the protection clamor that out of $100,000 worth of goods produced, the American laborer got about $80,000 and the German laborer half as much, or $40,000. This would leave the American capitalist $20,000 and the German capitalist $60,000. As a matter of fact, the German capitalist receives less on his investment than the American capitalist. Wages all over the world are proportioned to the value of the work done. They are the same (or higher) in free-trade Australia as in protective America. They are fifty

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per cent higher in free-trade England than in protective France or Germany. In Germany they are highest in the free-trade cities of Hamburg and Bremen. In America they are highest in Minnesota and Iowa, all of whose industries are in competition with the pauper labor of Europe. That which fixes the nominal wages of a day's labor is the amount of gold which a day's labor will produce. The gold must either come from our own mines or from abroad. Under free trade a day's labor in our own mines would produce exactly the same amount of gold, and a day's labor on our farms would bring exactly the same amount from Europe. The nominal wages of a day's labor is independent of protection or free trade. The idea that protection raises wages is as impossible from the standpoint of philosophy as it is ridiculous from the standpoint of history and statistics.[1]

But in this painful review of the axioms of political economy, we have discussed what would be the effect of protection in case it were paid for by taxing the capitalists. But we all know that the capitalists are in favor of protection. We also know that though they are in favor of a system of taxation which gives money to capitalists "in order to employ labor," they would violently oppose a system which gave money to the laborers in order to employ capital. Yet if $200,000,000 given to the capitalist to employ labor protects labor, then $200,000,000 given to laborers to employ capital[2] would protect capital. But if the laborers should use taxes to "protect" capital in this way, the capitalist would not allow the republic to stand. The reason why the capitalists favor our present system of protec-

[1] Under free trade, not only would labor in the mining and agricultural industries produce the same as now, but also in the building industries, the trading industries, the transportation industries, the "personal service" industries, *etc.* The labor engaged in the protected industries would produce more. For if it continued in the same industries, it would produce the same wealth (goods) as now; and if it changed, it would only be that it could produce more elsewhere. So far as the productiveness of the labor is concerned, Webster's argument against protection is absolutely valid. If the wages of labor depend upon how much wealth it produces, then protection slightly lowers nominal wages.

[2] *E.g.*, to pay rent.

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tion is apparent the moment we consider who pay for it and who receive the direct benefit.

Does our protective system tax capital? No. Does it tax labor? Yes. Which does it protect, capital or labor?

We all know that all commodities belong to capital, and that the object of all labor is the purchase of commodities. If a day's labor brings few commodities (as in Germany), then labor is cheap and commodities dear. If a day's labor brings many commodities (as in Iowa), then labor is dear and commodities cheap. The economic object of all civilization is to lessen the labor-cost of commodities; to make labor dear and to make commodities cheap. Is this the effect of protection?

1. Does our protective system shut out cheap labor?
2. Does our protective system shut out cheap commodities?

To the first question we must answer a decided "No." Our legislation (except in the Chinese bill) has invited cheap labor to our shores, and cheap laborers have come by the hundreds of thousands. The pretence that the exclusion of imports (capital) increases the demand for home labor is ridiculous to any one who has even glanced at our commercial statistics. Every dollar of imports is paid for by a dollar of exports. When we shut in as many exports as we shut out of imports, and cramp commerce in the bargain, we are hardly increasing the demand for American labor.

But not only does our legislation allow the capitalist to get all the cheap labor he wishes from abroad, but it permits him to use machine labor at home. Forty years ago the laborers opposed this on the ground that they could not withstand such overwhelming competition. At this time political economists and capitalists both said that it was the height of injustice to forbid the capitalist to spend his money where he liked. It was regarded as the essence of communism to make capitalists pay more for labor than it was naturally worth.

This brings us to our second question. If it is communism for legislators to make the capitalist pay more for labor than it is naturally worth, is it not an inverted communism to make labor pay more for commodities than they are naturally worth?

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The commodities of the country are owned by capital; they are to be bought by labor. If legislation raises their price, it enriches "capital" by injuring "labor." Our legislation does not try to shut out cheap labor, but it does shut out cheap commodities. This raises the prices of all commodities with which those commodities would compete. The owner of a sugar plantation can receive fifty per cent more for his gross product, or one hundred per cent more for his net product. This doubles rent and protects capital. The same is true of the owners of iron mines. Much the same thing is true of the owners of various manufactories. But the capitalist class desiring protection does not end here. During the war it was noticed that business men would urge the government to increase the internal revenue taxes (such as the taxes on the manufacture of carriages), in order to increase the price of the stock on hand. In the same way now not only the manufacturers but all wholesale dealers in protected commodities are interested in maintaining the duty since it raises the price of the goods which they have in stock. Nine-tenths of the consumers who must buy these goods belong to the almost propertyless masses. Upon them falls the burden of this enormous system of taxation. The capitalistic class will always favor our protective system. It permits them to buy cheap labor, while it compels the laborer to pay dear for commodities.[1]

It is a very significant fact with reference to protective taxes that they are constitutional when they tax labor and unconstitutional when they tax capital. It has often been proposed that municipalities and states should levy a property tax in order to "foster" or "pension" manufacturing enterprises. When this proposition was submitted to the Supreme Court of Maine, the opinion (unanimous) of the judges was as follows:

> All useful laborers, no matter what the field of labor, serve the State by increasing the aggregate of its products,— its wealth. There is nothing of a public nature any more entitling the manufacturer to public gifts than the sailor, the mechanic, the lumberman, or the farmer. Our

[1] People whose income from capital is insignificant are ranked with the laboring classes.

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government is based upon equality of rights. All honest employments are honorable. The State cannot rightfully discriminate among occupations, for a discrimination in favor of one branch of industry is a discrimination against all other branches.[1]

In the famous Loan Association *vs.* Topeka case, Justice Miller gave the decision of the court as follows:

If it be said that a benefit results to the local public of a town by establishing manufactures, the same may be said of any other business which employs labor and capital. The merchant, the mechanic, the innkeeper, the banker, the builder, the steamboat owner, are equally the promoters of the public good and equally deserving the aid of the citizens by forced contributions. No line can be drawn in favor of the manufacturer which would not open the coffers of the public treasury to two-thirds of the business men of the city or town.[2]

Even the Pennsylvania court has taken the same position:

To lay with one hand the power of the government on the property of the citizens and with the other to bestow it on favored individuals to aid private enterprises, and build up private fortunes, is none the less a robbery because it is done under the forms of law and taxation.[3]

The principle of democracy is: Equality before the laws for industries as well as men. To exempt one industry from taxation is to abandon democratic justice and to establish an industrial aristocracy. To not only exempt it from taxation but make it the recipient of taxes is to give this industrial aristocracy the feudal privilege of legal robbery. When the favored industry subjects capital to contribution, the courts denounce the crime as "robbery." When it subjects labor to contribution, the aggravated crime is called — "Protection!"

The Burden of Local Taxation.

All that has been said is in support of the principles which underlie the American system of local taxation. These principles, however, are being seriously compromised in our current

[1] 58 Maine, 590.
[2] 20 Wallace, 653, 664.
[3] Sharswood, J., in Durach's Appeal, 62 Pa. St., 491–495.

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practice. Formerly our direct taxes were upon capital pure and simple. Now a large part of the burden has been transferred from the capitalist to the consumer.

Our system of local taxation was originated at a time when there was only one kind of property, *viz.*, real estate. At the present time probably one-half of our national property is personal. (In England about three-fifths is personal.) Up to 1860 our system seems to have been administered with justice. In that year the assessed value of the nation's property was three-fourths of its probable real value. This means that almost the entire property was taxed. At the present time the property assessed for taxation is not quite one-third of that which actually exists. This means that one-half of the nation's capital escapes. This is the half which belongs to corporations and great capitalists. It is the half invested in personal property.

What is the effect of thus exempting half of the nation's wealth from local taxation?

In the country communities there is no especial effect. The amount of personal property is small, and exists principally in the form of live stock, farming implements, *etc.* These are generally taxed. The increased burden thrown upon real estate in the country is therefore insignificant.

In the cities the case is quite different. In the cities of Saxony[1] less than one-fourth of the *returned* income of the capitalist class was from real estate. This means that fully three-fourths of their capital was invested in personal property. If this be true in the cities of Saxony, it must be true in the large cities of America. But what do we find?

In New York City the amount of real estate returned for taxation was, in 1880, $918,000,000; the amount of personal property returned, $322,000,000! In Brooklyn the amount of real estate was $231,000,000; the amount of personal property, $13,000,000!

We must not pass snap judgment upon this perversion of our system. The greatest American authority upon taxation,

[1] Schaeffle, Steuerpolitik, p. 138.

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Mr. David A. Wells, believes that personal property ought to be exempt. He believes that we ought to have honestly and legally the system which we do have dishonestly and illegally. This were certainly a great gain.[1] Our present laws of taxation affix as great a penalty to honesty as our criminal laws affix to dishonesty, and the punishment is vastly more certain. Nevertheless we must consider two great questions which come up in reference to Mr. Wells' theoretical and Mr. Gould's practical solution of the taxation problem.

1. What effect does it have upon the national production of wealth to stimulate a disproportionate development of personal property?

2. What effect does it have upon the distribution of wealth to throw the entire city taxation upon real estate?

The first question hardly falls within the scope of this paper. It would seem that when a disproportionate amount of wealth crowds into a certain class of investments, the national capital is not being placed to the best advantage. But we ignore this point since we are discussing taxation, not as a problem in political economy, but as a political and social question.

With reference to our second question, many English political economists speak of taxing people in proportion to the rent which they pay as the most equitable of all systems, since the amount of rent is generally proportional to the income. Mr. Wells evidently shares in this opinion. The system is marvellously equitable when we compare it with the various systems of indirect taxation. Yet even if it should tax people in proportion to their income, it would still be enormously unjust to the smaller incomes from labor. But it has not even the merit of taxing in proportion to income.

Here may be cited one case where practical legislation was more just to laborers than are the speculations of the political economists. The case occurred during the French Revolution.

[1] Henry George says: "Our revenue laws as a body might well be entitled 'Acts to promote the corruption of public officials, to suppress honesty and encourage fraud, to set a premium upon perjury and the subornation of perjury, and to divorce the idea of law from the idea of justice.'" — Progress and Poverty, p. 374.

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The Constitutional Assembly of 1791 imposed a tax upon rent upon the following basis. A yearly rent of from $20 to $100 indicated an income of three times the rent; a yearly rent of from $100 to $200 indicated an income of four times the rent, *etc.;* and finally a rent above $2400 indicated an income of twelve times the rent.

A very little commonplace investigation will show that the French revolutionists were about right and that the English political economists are entirely wrong. Our laborers in American cities receive from $350 to $450 a year, and they pay in rent from $84 to $144. Certainly in the neighborhood of one-fourth of their income goes to the landlord. In Europe the amount of the laborer's income which goes to the landlord is about one-fifth. So much of our problem is very simple. When, however, we come to consider how much of his income the capitalist spends in this way, we have no acknowledged facts to start from. There are two distinct classes of the rich: the money-making rich and the money-spending rich. The latter are more prominent in society, and it is of them alone that the English economists seem to have thought. We must therefore examine the question statistically.

In German cities, house rent appears to take about one-thirteenth of the total income; in France, about the same; in England, a good deal more; in American cities, perhaps one-seventh.[1] Except in the case of Germany, these estimates are of no weight except to the person who makes them. Yet there is an estimate which every one can make, and in which all will practically agree. Let any one take the ten richest men in his city and he will find that they do not devote more than an average of six per cent of their income to house rent. The laborer spends one-fourth of his income in house rent; the rich capitalist spends one-sixteenth. If these taxes upon real estate are

[1] The German statistics are taken from a comparison of the incomes derived from house rents with the total incomes of the cities. (See table, page 410.) The French statistics from an estimate of Leroy-Beaulieu; the American statistics from the questionable assumption that the assessed value of all city real estate was approximately the real value of the dwelling-house property.

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shifted upon the renter, there is an enormous injustice to the laboring classes.

Mr. Wells seems to assume that the tax is thus shifted. He says: "The idea that owners and occupiers of land or buildings pay exclusively the taxes upon such property is a fallacy long ago exploded."[1] This shifting process which seems to be assumed is, however, not entirely realized.

So far as land is concerned, the shifting process does not take place at all. A piece of farming land is worth $10,000 because its products sell for say $500 more than it costs to produce them. If an additional tax of one per cent ($100) is levied upon the owner, the supply and price of the products will remain the same, and the cost of producing them will remain the same. The owner's net profit then will be $400 instead of $500. The entire tax rests upon him. This is one of the elementary propositions of political economy.

The same rule holds good in regard to the land in cities. If one building lot is worth $10,000 more than another of the same size, it signifies that (with a building) it can be made to yield a net rent of say $500 more than the cheaper lot can be made to yield. If an additional tax of one per cent be levied, the difference in desirableness between the two lots will certainly not be increased. The owner must pay the tax and cannot raise the rent. If the state should carry out Mr. George's proposition and confiscate all land rents, no one but the land-owners would be affected. From the standpoint of Mr. George, what appears to be the intellectual error of Mr. Wells is the one recommendation of his system.

In the case of the tax upon buildings the situation is quite different. Old buildings must be replaced and new ones must be added. This will not occur unless the builders can secure the average net profit upon their investment. In case this is six per cent and the city taxation is two per cent, they will not build unless the renters will return them this two per cent as well as the six.

But this does not mean that the tax upon buildings is thrown

[1] Local Taxation, p. 56.

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entirely upon the renters. If it did, then there would be no such thing as the direct taxation of capital.

If our national and local taxes were thrown entirely upon capital, and all capital were subjected to the levy, the tax would be about one and one-half per cent. (In case this change brought about economy in the management of national finances, the tax would be only about one per cent.) Now if this tax were thus levied, the producing power of capital would be in nowise altered, the demand for it would not be increased, the supply of it would not be appreciably diminished. The entire tax would rest upon the capitalist.

If now half the property should be suddenly exempted from the tax and the entire taxation be levied upon the other half, this second half must at first bear the entire burden. If personalty and realty had each been yielding seven per cent and paying one per cent in taxation, and the whole tax were transferred to realty, personalty would now yield seven per cent clear and realty only five per cent. In so far as realty consisted in land, this burden could never be shifted. But in so far as realty consisted in houses, the burden would soon be shifted. No more houses could be built until rents had risen sufficiently to pay capital the same net profit that personalty is yielding. If this be seven per cent, then rents must have risen to nine, and the entire burden of the house tax is thrown upon the renter.

But the profit on personalty cannot remain seven per cent. This species of investment will be over-crowded until the net profit without any tax is little greater than the net profit formerly with the tax. If this be six and a half per cent, then the profits on houses must have risen to eight and a half per cent. The renter therefore pays no more for his lot, and one and a half per cent more for his house, than he did when all property was taxed.

This study of the shiftings which take place does not pretend to have any exactness. It simply indicates the approximate result, that when half of the nation's property is completely exempted from taxation, all of its property is half exempted. In other

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words the tax removed from the exempted half will be shifted to the renters of the first half. If personalty were again taxed, the owners of city land would be immediately benefited, and city renters would soon be relieved of the indirect tax which they now pay.

Where the resultant of so many conflicting forces must be calculated, it is difficult to construct our parallelograms of velocity. But the general upshot of the whole matter is that about one-half of our direct taxation in cities is not the taxation of capital but of renters, and so levied as to burden the poorest renters most heavily. For in the fashionable quarters the land rent is of as much importance as the house rent, and the tax upon land cannot be shifted to the renter. But in the tenement house quarters the land rent is almost nothing, and the increased tax upon houses bears severely upon the occupiers.

When we come to sum up the burdens of local taxation, we must conclude that in the village and country communities democratic principles still prevail,[1] but that in the cities a portion of the burden is thrown upon the laboring classes, the small property-owners are tremendously overburdened, and the rich capitalists are almost exempt.

[1] Perhaps the principal grievance from which the country communities suffer is what is known as double taxation — the taxation of both the lender and borrower where the loan is secured by mortgage.

Some very curious attempts have been made to justify this taxation. The Massachusetts taxation commission reported that the lender ought to be taxed because he had his profit, and that the borrower must be taxed because he would not borrow unless he too had a profit. The commission forgets the number of bargains prevented by the tax, and also that where the lender pays one and a half per cent tax out of six or seven per cent profit, the borrower must pay the same tax out of perhaps a two per cent profit. To tax both lender and borrower of capital is in every way the same as to tax both the owner and renter of a building. It is worthy of notice in this connection that the taxation of the *creditor* is always spoken of as double taxation. The taxation of the debtor is looked upon as just and right. True, whichever is taxed, it amounts to pretty much the same thing in the long run. Yet if taxation were now transferred from the nominal owners of mortgaged property to the real owners, it would be a long time before the lenders could increase the rate of interest sufficiently to cover the tax. The assertion of the capitalists that double taxation falls entirely upon the borrower is pure demagogy. If it did thus fall, the capitalist class would not object to it. Capital is worth to the borrower a certain rate per cent and no more. If this capital be taxed twice, the borrower will not pay that much more interest for it. Nevertheless, the fact that capital used by its owner is taxed only

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Conclusion.

From the examination of our local taxation it seems obvious that the only serious social injustice which exists in this domain arises out of the exemption of personal property. Can our municipalities or even our states correct this evil?

Our answer is "No." They might do better than they are doing now, but they could not accomplish much. The principle upon which state and municipal taxation must proceed is that which Mr. Enslee of Memphis, Tennessee, stated as follows: "Never tax anything that would be of value to your state and that could and would run away, or that could and would come to you." The municipalities may impose heavy taxes upon real estate and upon the small mechanical and trading industries whose business is purely local. Beyond this they cannot go. Stocks and bonds they cannot reach. Large manufacturing establishments and wholesale houses can establish themselves where they are taxed least. The vast mass of personal property cannot be subjected to local taxation. If taxed at all, it must be by the nation. If taxed by the nation, capitalists would of necessity content themselves with a smaller interest on investments in houses. The indirect taxation of renters would be abolished. All local taxation would again rest upon capital.

But could the national system of indirect taxation be thus easily removed?

The answer is, "No; but the great mass of it could." The

once and that capital used by a borrower is taxed twice is of course oppressive to the latter class. However, this evil of double taxation is real only to the extent that lenders are honest in their returns. Inasmuch as self-justified dishonesty is the rule, the injury to the borrowing class is nothing compared with the injury to the public sense of honor. The apparent injustice of taxing the debtor might be obviated by state laws "taxing the mortgages in the county where they are recorded," or deducting the amount of tax paid from the amount due on the mortgage. It may be that these laws could only be applied to future mortgages. (See State Tax on foreign-held Bonds, 15 Wallace, 300, 319.)

It may be added here that though the country communities suffer least from our system of local taxation, they suffer most from the system of national taxation. Even the capitalist class in the country are buyers and not sellers of protected commodities.

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taxation of liquors and perhaps of tobacco must for the present be retained. The abolition of all other indirect taxes would leave a deficit of but $103,000,000. If this amount were levied from untaxed corporations, the $165,000,000 for revenue and the $200,000,000 for protection which are now levied upon food, clothing, tools, domestic utensils, and building material could at one stroke be abolished. There are approximately $7,000,000,000 now invested in railroads alone, whose present taxation ($13,000,000 in 1880) is almost nothing. If the national government should levy a tax of one and one-quarter per cent upon the stocks and bonds of railroads, telegraph, insurance, and mining corporations, it would have enough to cover the deficit. The next tax which it could and should add would be that of one-half of one per cent upon banks; not upon the nominal stock (which is now often taxed), but upon the capitalized value of the net earnings. The next tax which should be added would be a similar tax upon manufacturing companies. The first step is of course to cut off from them the power of taxing other industries. The next step is to make them pay a tax themselves. Only when this is done, shall we have reached the democratic ideal: Equality before the laws for industries as well as men.

But have we not seriously compromised our principle of not taxing labor when we retain the taxes upon liquors and tobacco? Yes. Even according to the principle of a rationalized income tax, the retention of these taxes results in the overburdening of the laboring classes.[1] In case it is the duty of the government to

[1] The writer has estimated from a great many standpoints the distribution of wealth and of incomes among the various classes in society, and concludes that the distribution of property in America is as bad as it is in France and Germany, but not so bad as it is in England. The distribution of *incomes* is not nearly so bad as in England.

The U. S. Census for 1880 estimates the aggregate wealth of America, but does not attempt to estimate how it is distributed among the various classes. The estimate of the aggregate wealth at $43,600,000,000 is from every point of view reasonable. The 35,000,000 people in England have according to Mr. Giffen the same wealth as our 50,000,000. Of England's $43,000,000,000, Mr. Giffen believes that only $1,500,000,000 (or 4 per cent) is owned by classes not subject to the income tax. According to Baxter (1868) *more than half of the incomes* subjected to the tax were owned by 57,000 persons. It is therefore obvious that much more than half of the

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shield labor and not to tax it, the entire sum brought in by these taxes should be devoted to measures *directly* in the interest of the poor; not given to capital in order that it may employ labor, but given to labor in order that it may employ capital.

The tax upon liquors ought to be retained for this purpose. I have said that the economic object of all civilization and of all natural blessings is to lessen the labor-cost of commodities, to make commodities abundant and cheap. There is however a class of commodities which must be excepted from this rule — injurious luxuries. It is not the object of civilization to make intoxicants plenty and cheap, but rather to make them scarce and dear. So long as drunkenness is a great national

capital belonged to this class. It is practically certain that 57,000 persons in England own $22,000,000,000 of its wealth. In America the distribution of property is not quite so bad. It is quite probable, however, that $22,000,000,000 of our wealth is owned by 100,000 persons; it is quite certain that *one per cent of our citizens* (or 130,000 men) *own as much property as the remaining ninety-nine per cent.* German and Swiss statistics as well as other American estimates bear out this conclusion. The wealth of this one per cent consists largely in personalty, yet the distribution of real estate is much worse than is generally imagined. In the cities of Michigan, according to Labor Commissioner McGrath (Second Annual Report, p. 402), $\frac{1}{200}$ of the inhabitants own 61 per cent of the real estate! The distribution of stocks and bonds, or rather the lack of it, is matter of common notoriety. Bank stocks are more widely distributed than any other, yet there are only seven thousand banks, and generally about ten men own nearly all the stock in each bank. The statistics sometimes given of the number of stockholders interested in various railroads are altogether misleading. The railroads carefully avoid stating what percentage of their stock is held by a few hundred of the largest holders. It is safe to say that 130,000 men own three-fourths of all the stocks and bonds in the country.

From similar data it appears probable that 1,300,000 of our citizens [or ten per cent of them] own fully four-fifths of the property, or $35,000,000,000. This leaves to "the rank and file" $8,600,000,000.

To estimate the distribution of incomes is even more difficult. Our census has not even estimated its aggregate amount. Judging from foreign statistics, I suppose that this amount is about $200 per capita or $10,000,000,000 in all. I suppose that the upper ten per cent have an income of $2,800,000,000 from capital and of $1,900,000,000 from salaries, fees, and profits, over and above interest and capital. I suppose that the remaining ninety per cent have an income of $700,000,000 from capital and $5,000,000,000 from salaries, wages, and profits over and above interest on capital. If these incomes be capitalized according to the plan on page 408, the rank and file ought to pay not quite 30 per cent of our taxes [or $180,000,000]. By the tax on capital they would pay 20 per cent, or about $120,000,000. If the present tax of $93,000,000 on liquors were retained and all other indirect taxes were abolished, the rank and file would still be overburdened, not only from the American standpoint, but from the standpoint of a semi-rationalized income tax.

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evil, this tax may be retained. The question how the fund thus created should be administered, does not fall within the scope of this paper.

In case tobacco is deemed not one of the goods of this life but one of the evils, it, too, may be taxed. The tax now imposed ($33,000,000) deducts about two days' wages from the average consumer. The governing classes suppose the tax to indicate their scrupulous puritanism. This is the conscious motive, and unscrupulous selfishness is the unconscious one. This tax might be removed immediately. If retained in order to shield capital, it is a serious compromise with the principles of justice.

The only argument by which a statesman can ever justify indirect taxation is that necessity knows no law. At the foundation of our government the necessity existed. The federation was "a rope of sand." "The constitution," as von Holst expresses it, "had been extorted from the grinding necessities of a reluctant people." To have required the national government to support itself by direct taxation was to have starved it. The support of the influential classes would have been lost, state rights would have been rampant.

But this period has entirely passed away. The laying of railroads, the spreading of literature, the scattering of families, the results of the war, have bound us together into a national unity which is stronger even in public sentiment than in the written constitution. The necessity for indirect taxation has entirely ceased. Where the reason ceases the law should cease.

But more than this, the necessity for direct taxation has arisen. The great national question is no longer sectional unity but class unity. The direct taxation of the rich would formerly have encouraged separation and strife between sections; to-day the direct taxation of the rich is absolutely necessary to prevent separation and strife between classes.

The social bearing of the taxation problem is the only one which the nation has time to consider. Not that the condition of the laboring class is growing worse, but that the separation between classes is becoming dangerous. The wealthy

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people of thirty years ago would be classed among the rank and file of to-day. The extra taxation of large fortunes is the only democratic measure which can stop this separation of classes and prevent what seems to many an irrepressible conflict. The doctrine of this paper, the doctrine of *the equal taxation of capital and the non-taxation of labor*, ought to be regarded as a conservative instead of a radical measure. It does not prevent the increased separation of classes; it simply prevents the government from accelerating this separation. It makes no attempt to secure democratic equality; it aims merely at a semblance of democratic justice.

CHARLES B. SPAHR.

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THE NATIONAL BUREAU OF LABOR,

AND

INDUSTRIAL DEPRESSIONS.[1]

I.

FOR a number of years there have been in operation, in the different states, bureaux whose business it is to collect statistics of labor and industry. There are now no less than fifteen of these bureaux, and some of them have met with very considerable success.[2] But the trouble with all state investigations is that they are local and, however interesting to the immediate locality, cannot be used as indicating the condition of the whole community or for comparison with the countries of Europe. We suffer from this same defect in all our statistical investigations in this country, as for instance in our vital statistics. A few of the states and some large cities attempt to collect statistics of births, deaths, and marriages; but the laws are different, the methods are not uniform, and the returns lack all homogeneity. So, also, much of the work of the decennial census is necessarily crude and inadequate simply because the officials are raw and inexperienced.[3]

It was an event of great interest when, in 1884, Congress passed a law to establish a National Bureau of Labor, whose duty it should be to "collect information upon the subject of labor, its relation to capital, the hours of labor, and the earnings of laboring men and women, and the means of promoting their material, social, intellectual, and moral prosperity."

It was still further a matter of congratulation when the Presi-

[1] The first Annual Report of the Commissioner of Labor, March, 1886: Industrial Depressions. Washington, Government Printing Office, 1886.

[2] See an article by me on American Labor Statistics in the POLITICAL SCIENCE QUARTERLY, March, 1886.

[3] See the remarks of Dr. Billings on the mortality statistics of the United States, in volume xi. of the Tenth Census.

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dent appointed, as the head of the new bureau, the experienced and skilled chief of the Massachusetts Bureau of Labor Statistics, — the man who has done more than any other to organize and encourage efforts in this direction. Here was a prospect for a regular and uninterrupted effort to collect statistical information as to the industrial condition of the whole community. Colonel Wright himself looked upon the establishment of the new bureau with very great expectations. In an address before the convention of chiefs of labor bureaux held at Boston, he laid down the policy of the National Bureau, and outlined a plan by which the state bureaux could be brought into close co-operation with the bureau at Washington. The chiefs in return pledged their co-operation and that of their bureaux, and expressed the heartiest confidence in the new chief of the Washington bureau.[1]

If these expectations are fulfilled and this promised co-operation brought about, it is not too much to say that the establishment of the National Bureau of Labor will mark an important departure in the attempt to gain knowledge of social conditions in the United States. The older countries of the world have for some time been struggling with this question how to collect satisfactory statistics of social interest. At first all effort to get statistics rested upon purely administrative motives. It was necessary to raise an army, and a census of the people was taken. The government desired to levy a tax, and a description and valuation of property was made. The administration of the customs resulted in statistics of imports and exports. The extension of poor-relief gave the number of paupers. But these statistics were collected only for the immediate locality and by the particular department concerned. Decentralization prevailed thus in a double direction, by locality and by department.

So long as statistics were employed only for administrative purposes no embarrassment was felt. But in modern times sta-

[1] See Proceedings of the Third Annual Session of the National Convention of the Chiefs and Commissioners of the various Bureaux of Statistics of Labor in the United States, held at Boston, June 29, 30, and July 1, 1885, p. 125.

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tistics are used for other and equally important purposes. They are now made the basis on which a great deal of legislation is founded; that is, statesmen seek for statistical information in order to direct state action. Again, in all modern attempts to formulate a social science by the inductive method, statistics play an important part. For all our information in regard to population, the laws of birth, death, marriage; in regard to economic phenomena such as the influence of plenty and want on the community; and in regard to vice and crime, — for all this we look to statistics. The old method of collecting statistics has proved utterly inadequate to meet these demands. In many cases statistics enough were collected, but they were so lacking in uniformity that they could not be utilized. For instance in Great Britain[1] no less than thirty-four bodies collect statistics. But each department pursues its own methods and has its own classification. If I wish to inquire concerning the condition of any one class in the community, I am entirely foiled because the age-classification differs in the different offices. Suppose, for the purpose of legislation or an investigation in social science, I desire to know the condition of the juvenile male population of Great Britain, their number, death-rate, how many are paupers, how many criminals, how many emigrate, *etc.* I find a different age-classification for deaths, for marriages, for paupers, for schools, of those committed to prisons, to convict prisons, reform schools, industrial schools, for those employed in factories, in mines, victims of accidents, lunatics, emigrants, *etc.* The classifications for Ireland and Scotland differ from that for England, so that notwithstanding the immense mass of statistics collected and published by the British government, it is impossible to use them for scientific purposes.

The condition of things in the United States is just as bad as in Great Britain. We have the local decentralization by states of which I have already spoken. Then we have departmental decentralization at Washington. There we have a statistical

[1] See, for this whole subject of collection of statistics, a report made by a committee of the House of Commons in 1881.

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bureau for the State Department, one for the Treasury, one for agriculture, one for labor, besides the decennial census. But all the statistics are not found in the publications of these statistical bureaux, but lie scattered in the numberless reports of all the different departments of government.

The evils of this condition of things are so great that in Europe efforts have been made and are now making to remedy them. The remedy is greater centralization in the work of gathering statistics, or at least some such control by a central board over the different departments as to insure uniformity in method and classification. In England they are working towards something of this sort by throwing the work of publishing statistics more or less into the hands of the statistical department of the Board of Trade. In Germany and in Prussia they have attained the end by establishing one central bureau for the collection and publication of the statistics of the whole country. And at Vienna, Rome, and Paris we can see a similar tendency, which reaches its highest manifestation in the establishment of an Institute of Statistics[1] for the purpose of introducing international uniformity in statistics.

We hope that the establishment of the Bureau of Labor at Washington may lead to some result of this sort in the United States. If the National Bureau can exercise some controlling influence over the state bureaux, we shall avoid the evils of local decentralization which make the work of the latter of so little interest and value. Then, if there can be some centralization in the departments at Washington by which uniformity can be introduced into our national statistics, we shall be great gainers by the operation. This work of enforcing uniformity naturally falls to this new bureau, for almost all the statistics now collected are industrial in their character and have to do with the question of labor. Finally, we may hope that the decennial census, which is also largely industrial in its character, may come into the hands of the new bureau, so that we may have the advantage of experienced officers and complete apparatus. Colonel Wright has set the example in his own state of

[1] See Jubilee Volume of the London Statistical Society, 1885.

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Massachusetts, where the census of 1885 was entrusted to the officers of the already established Bureau of Labor Statistics.

From the above considerations, this first annual report of the new bureau must be regarded with considerable interest. Are the methods there displayed such as to invite confidence in the efficiency of its administration and to encourage the hope that its establishment will lead to more satisfactory results in the effort to get statistical knowledge of the industrial and social condition of this country? On the whole we may answer this question in the affirmative. Of course one must recollect that there were but eight months in which to prepare this first report, and that the whole machinery of the office had to be created. Notwithstanding these difficulties, we have in this first report a mass of information of very considerable value.

Only two mild criticisms may perhaps be allowable. One is, that the subject chosen, industrial depressions, is rather an unfortunate one. It is a very wide subject and one on which great diversity of opinion prevails, and, moreover, one which it is very difficult to investigate statistically. The strength of a statistical bureau does not lie in sending agents about and getting the opinions of economists and business men. Any enterprising newspaper, or any congressional committee with the power of summoning witnesses, can do that. The method of an organized bureau must differ from such methods, or its results will have only the same doubtful value.

Again, the first requisite of a scientifically conducted bureau, as Colonel Wright has often exemplified in his Massachusetts reports, is that the processes by which the conclusions are reached shall be fully exposed. This is not altogether satisfactorily done in the present report. We are vaguely referred to agents who have interviewed leading economists and prominent business men of the United States and Europe, but that is all. So far as the larger part of the report is concerned (with the exception of some voluminous tables of cost of production, wages, and cost of living, of which no use is made) it might have been written by the chief himself, in his study, with a good library of political economy and the files of the leading

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papers before him. In fact to any one acquainted with the recent Massachusetts reports of Mr. Wright, the internal evidence is strong that the report was very largely his personal work. It is true that the opinion of such an expert is of very great value, but it is not an official investigation. With these minor criticisms, which are rather ungrateful when one considers the difficulties in the way of this first investigation, we will turn to the subject of the report itself; *viz.*, Industrial Depressions.

II.

The characteristic mark of the nineteenth century is its colossal commercial and industrial development. In that struggle with nature which has made up man's life from the beginning, he has now placed in his hands weapons which enable him to make great conquests in the realm of the unknown and the insurmountable. He has gained powers of locomotion which open up to him the whole surface of the globe. Ships and railways bring him the products of every clime. The telegraph carries his messages with the speed of the lightning, and the steam-engine digs mines, crushes ore, forges metal, revolves spindles, ploughs land, threshes the grain, grinds flour and performs the most arduous and difficult operations by which raw material is transmuted into useful commodity.

With this commercial and industrial development the organization of society has become wonderfully extensive and complex. Population has increased; industry employs millions of men; capital accumulates great sums of money; financial systems grow complicated and sensitive; every individual and nation becomes dependent on other individuals and other nations; until it may be said with entire truth that our present social organization is not only an advance on everything that has preceded it, but is almost *sui generis*, different in kind from early and mediæval stages of culture.

But just as the higher animals are subject to dangers from change of environment and conditions of life unknown to the lower; and just as progress brings to the civilized man ner-

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vous diseases, tendencies to insanity and suicide, sufferings from disappointed ambition, vain regrets and remorse, unknown to the savage; so our modern industrial organization is subject to periodical reverses which we call panics, commercial crises or industrial depressions. The dates 1826, 1837, 1847, 1857, 1866, 1873 and 1882 are familiar figures to every economist and man of affairs. Such crises are not confined to one country. They are most sharply defined in the more highly developed nations like Great Britain and the United States; but Germany, France, Belgium and even Italy and Spain experience them as soon as they enter the circle of the great industrial nations of the world. In fact, as our industrial organization becomes more complicated, these crises are more widely extended and of longer duration. Local characteristics are unavailing to destroy the general similarity. Protectionist and free-trade nations, gold-standard and double-standard countries, peoples with extended banking facilities, and those with limited credit, even agricultural communities as well as industrial ones — all suffer and succumb. The ships of England lie idle because they have nothing to carry; and the Western farmer in America burns his grain because he has no market for it.

No more important problem presents itself to political economy than the cause of and remedy for these industrial depressions. Unfortunately the science has as yet no definite solution of the problem, and stands confounded before a phenomenon which disconcerts all its theories of the production of wealth and the action of free competition. In fact the economist stands like a physician before a new disease, whose symptoms are so general that he is unable to make a complete diagnosis, and yet whose effects are so serious as to demand heroic remedies which he dares not apply for fear of making a mistake and killing the patient. The only hope in such a state of affairs is that additional experience may enable us to understand the case and discover a remedy; but the peculiarity about industrial crises is that although we have had half a dozen of them during the last fifty years, the circumstances have changed so much that each one is practically a new phenomenon. It is, to

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return to the illustration, as if a physician should come across the new disease again, but this time in a patient whose constitution is peculiar and entirely unlike that of any person who had ever had the disease before.

The economists can console themselves, however, with the thought that they are no more at a loss to explain commercial crises than are the practical men of affairs who are in direct contact with the phenomena. This report of the Washington bureau gives a very amusing classification of the causes assigned for industrial depressions by witnesses before congressional committees of inquiry.[1] These causes fall under no less than 180 heads. Many of them are of the most contradictory character. Examples are as follows: contraction of the currency, inflation of the currency; issue of greenbacks, resumption of specie payments; demonetization of silver, remonetization of the same; the protective tariff, agitation of the tariff; indirect taxation, needless taxation, unequal taxation, tax on land, tax on capital, under-taxation of capital, under-taxation of income, *etc.* Under "laws" we have bankrupt laws, conspiracy laws, land laws and navigation laws. Men complain also of monopoly of land, of telegraphs, of railroads, of invention, *etc.* Some of the causes assigned are ridiculous; *e.g.*, the adulteration of food, want of training of girls for future duties, tobacco, instinctive and widespread indolence.

Where, then, are we to seek an explanation of these very important economic phenomena? The economist alleges vague general causes, such as the increasing complexity of the modern industrial organization. The practical business man adduces only those causes which directly affect him. Neither offers an explanation which is at the same time definite and satisfactory. On the other hand we have in this report of the Bureau of Labor a systematic effort to investigate the subject on the basis of fact and with recourse to the best theoretical knowledge. The bureau has employed no less than twenty-five agents to collect statistics and gather information; and their reports have been worked through, and the results systematized, by the chief

[1] See Report, p. 61.

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of the bureau, an expert economist. It seems as if we had here that union of theoretical knowledge and practical acquaintance with affairs necessary to explain phenomena at once so concrete and so intricate. What, according to the Bureau of Labor, are the causes of the present industrial depression?

After determining the extent of the depression[1] and affirming that nearly one million of men are out of employment, which cripples the consumptive power of the community by at least $300,000,000, "a sum sufficient to cause a reaction in business and a general curtailment of expenses, from which result apprehension and timidity among all classes," the bureau enumerates the following causes of the depression:[2] falling prices, overproduction, the variation in the cost of production, the variation in the rate of wages, speculative railroad building, under-consumption, tariff inequalities, and "miscellaneous." Of these, falling prices is of course a cause of industrial depression. When prices are low and continually sinking lower, the effect on all producers must necessarily be discouraging. All enterprise is stopped; men employ as little labor as possible, and do not desire to accumulate a stock of goods whose value threatens to be less than the raw material and the cost of producing them. But falling prices are not in themselves the explanation of the depression. It is necessary to know what causes the falling prices. They may be due simply to increased cheapness of production, which will soon rectify itself; or they may be due to such causes as the scarcity of gold or the loss of consuming power on the part of the community, the final outcome of which no one can foresee. To allege falling prices as a cause of an industrial crisis is possibly to confound cause and effect — at any rate to substitute the superficial for the fundamental.

Of the other causes mentioned above, variations in the cost of production and in the rate of wages are not themselves causes of industrial depression; and, although the bureau has made elaborate investigations in these two directions,[3] yet these

[1] Report, p. 66.

[2] Report, p. 79.

[3] The statistics on these two points cover 268 pages of the Report; *viz.*, pp. 90–242 and pp. 295–410.

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efforts, by confession of the bureau itself, do not bear directly on the question in hand. Speculative railroad building has probably had something to do with the present depression, but it really falls under the head of over-production, which we shall notice presently. The tariff and "miscellaneous" causes, such as the banking system, the silver question, *etc.*, may safely be set aside, as they are by the bureau, as possibly contributing but not primary causes. The two causes that remain to be noticed are over-production and under-consumption. Under these somewhat vague terms we have doubtless the explanation of the present difficulty. A closer analysis of the facts published by the bureau will repay us.

By over-production we mean that more capital and labor have been applied to the production of a certain commodity than is necessary to satisfy the demand in the particular community or in the world for that article. If for instance England has been producing enough cotton goods to supply the world, and factories are established successively in the United States, in France, in Germany, and in Belgium, which supply not only the home market but compete in the foreign markets, then there will inevitably be an over-production of cotton goods. Or if speculative railroad building causes a great increase in rolling-mills, and the building suddenly ceases, then there will be an actual or potential over-production of railroad iron. And so it goes on through the entire list of commodities which come, at one time or another, under the influence of speculation or of an abnormal demand with prospect of unusual profits.

Over-production is a phenomenon which may occur at any time, in any commodity, and be due to any one of a great variety of causes. In the eyes of practical business men the present over-production is due to the general introduction of labor-saving machinery by which we produce on an enormous scale and with greatly increased cheapness. The bureau has brought together a great mass of facts illustrating this increased power of production and the displacement of labor which follows.[1] In one establishment, manufacturing agricultural implements,

[1] Report, p. 80.

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600 men do the work which under former conditions would have required 2145 men. In the manufacture of small-arms, where one man by manual labor was formerly able to turn and fit one stock for a musket in one day, three men will turn and fit 125 to 150 stocks in the same time. In the manufacture of shoes 100 men now do the work of 500 men using hand processes, a displacement of 80 per cent. In making carriages, where it formerly took a given number of workmen 35 days to produce a carriage, it now takes them but 12 days. In the manufacture of patent leather there has been a saving of nearly 50 per cent; in the manufacture of machines and machinery, of 40 per cent; in the production of metallic goods, of 33⅓ per cent; in the silk manufacture, of 50 per cent; and so on in numberless cases. In the oil industry the new pipe-lines have displaced the labor of 5700 teams of horses and double that number of men. The result of this universal introduction of machinery is, as the bureau points out, a greater supply of commodities than can be disposed of, a displacement of labor, and a consequent under-consumption. This last phenomenon is coexistent with over-production, and is its effect. It comes about because the unemployed workmen can no longer purchase commodities. It comes about because falling prices cause a general timidity and apprehension which lead people to curtail their purchases. It is not in itself a cause of commercial depressions, but is associated with over-production and should be classified with it.

Such is the explanation offered by the bureau and the practical business man of the present industrial depression. So far as it goes it is true. The economist has only an additional explanation to make: How does it happen that when enough of a commodity is already produced, men should still go on producing? In the nature of things supply should be regulated by demand, and in that case there would be no over-production because the supply would only follow the demand. The explanation is that in our present industrial organization we produce on a large scale for an unknown market. In old times the shoemaker made a pair of shoes for the man who ordered

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them; now our manufacturers make thousands of dozens in advance of the demand. If they can do this so as to undersell others, they have an unlimited market. But if another undersells them, they lose the entire market.[1] It is the same way in agriculture. The American farmer ruined the English; and now the Indian wheat threatens to displace the American in the European market.

Such being the practical and theoretical view of the present industrial depression, it is not of much use to discuss remedies. The witnesses before congressional committees have as many remedies and of as peculiar character as the causes we have mentioned on a previous page. The bureau[2] and the practical business man seek special legislative measures, such as the restriction of immigration, the enactment of laws to stop speculation, the establishment of boards of arbitration to settle industrial difficulties; or change in business methods, such as contraction of credit, co-operation, and industrial partnerships. The economist finds no single cure, nor any remedy which by itself would be very effectual, but looks at all these proposals in the light of their influence on an industrial organization, which must undergo very considerable transformation before it reaches a condition of stability and safety.

RICHMOND MAYO SMITH.

[1] This view of modern industry has been developed by socialistic writers, particularly Ferdinand Lassalle. See his numerous pamphlets.

[2] Report, p. 271.

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THE CONFLICT OF EAST AND WEST IN EGYPT.

II.

Mehemet Tewfik, Khédive.

PRINCE MEHEMET TEWFIK was not yet twenty-seven years old when he ascended the vice-royal throne of Egypt. He was a very different man from his father. He had not his inordinate ambition, and lacked, consequently, some of the energy as well as the crafty diplomacy of Ismail. He had not, like his father, served an apprenticeship of experience in the gay capitals of Europe; but he was not without the culture that European masters can inspire. He had a good knowledge of French and English, speaking both languages fluently. It may be doubted if he was as enlightened a prince as his great uncle, Prince Halim, the exile of Constantinople, who was the choice of the sultan for successor to Ismail; but under the law of succession in Egypt, established by the firman of 1866, England could not well have supported Halim, even if she had preferred him, which she did not. The Porte had to yield. Its eagerness to depose Ismail is not to be attributed to any over-sensitiveness at the scandal of his financial follies, but rather to the fact — which the sultan foresaw — that if the Porte did not depose the khédive, England and France would. Making, thus, a concession to the inevitable, the sultan would have still maintained the semblance of his suzerain authority if he could have named the successor. But this was not permitted by England and France, who, by their dictation at this time, showed that they possessed the virtual control of affairs in Egypt.

And yet, after the deposition, England at least was loth to put her power further to the test. The opposition at home was to be feared and a definite policy was not outlined; and the new khédive was left to follow his own whim largely in the formation of his government. France did not relish this inac-

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tion on the part of England, and, for herself, insisted that M. de Blignières should continue to act as representative. Germany and the other Powers having retired from participation in the discussion of Egyptian affairs, England and France at last came to a compromise. They agreed not to insist upon the reinstatement of their representatives in the khédive's cabinet, but, instead, upon the appointment by the khédive of two comptrollers, one of whom should be nominated by France and the other by England. France named M. de Blignières, who was accepted by Tewfik with much dissatisfaction. England did not insist upon the appointment of Mr. Rivers Wilson, though losing thereby some prestige, but named Major Baring instead. Their powers were not defined; but it was understood that they would be as unlimited as France and England might choose to make them.

In the meantime there had been several ministerial changes since Tewfik's accession. He had placed the ministry under the leadership of Sherif Pasha. None but natives received portfolios. The ministry thus formed indicated a reactionary spirit and was totally out of sympathy with the reform movements instigated by Nubar Pasha. Tewfik feared to depart at once from the ways of Ismail; for he regarded his position as somewhat insecure so long as Ismail's covert overtures to the Porte were received. The ex-khédive sought to obtain permission of the sultan to live in Cairo. This could not have been allowed without prejudicing the stability of the Egyptian government; but all fear of the possibility was ended when, on August 14, the firman of investiture was presented to Tewfik. Four days after, the Sherif ministry was dismissed and a new one formed, of which the khédive himself assumed the presidency. But this was short-lived; for, on September 21, Tewfik gave up his position of minister and appointed Riaz Pasha to the presidency in his place. Riaz had been minister of the interior under Nubar, with whom he was in complete sympathy. It would seem, however, as if the ministry should have been intrusted to Nubar, the most enlightened man of Egypt; but Riaz was preferred by France and England because, in case of

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differences arising, he would hardly have the courage or strength to oppose the Dual Control, which was a consideration of some moment now that the Powers had no representatives in the cabinet. Then, too, Nubar was not popular among the natives, being an Armenian and a Christian. At the same time that the khédive's government was placed upon an apparently stable footing, the burdens of the fellahîn were materially lightened by unusually abundant crops. They were also less harassed than formerly by the tax-gatherers, who no longer forced money from them a year or more before it was due but were content merely to collect arrearages. There seemed thus to be a brighter sky above Egypt than in the days of Ismail Pasha.

But there was the great question of finance still remaining to be solved. To this the comptrollers turned their first attention. The difficulty that met them at the outset was of an international character. It will be remembered that Baron Rothschild had withheld a part of his loan at the beginning of the year, because individual creditors had obtained liens against the daira domains, which Ismail and his family had ceded to the state. The domains could not be mortgaged to the Rothschilds until the liens had been satisfied; for their legality had been upheld by the International Courts, whose law was that of a code based upon French law. This code, now, could not be deviated from or modified in the least degree except with the consent of all the Powers represented in the International Courts. But it was evidently a matter of right and necessity that funds borrowed to lighten certain burdens of the state should be expended to that end and not in the payment of the claims of individuals. An independent Power would have so decided at once; but Egypt had to abide by the code, while the comptrollers proceeded to try to secure the consent of the Powers concerned. This was a difficult task. Some of the lesser Powers were jealous of the Anglo-French control, and had no desire to act upon its bidding. Italy and Austria declined to sanction any change in the international code. Major Baring and M. de Blignières themselves went to Vienna to expostulate, and with the strong influence of the nations they

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represented they were at last able, in November, to effect a compromise, by which all the liens on the domains, obtained before their mortgage to the Rothschilds on February 3, 1879, were to be satisfied from the unpaid balance of the loan; while, with respect to all other debts, the Rothschilds were to have the first mortgage on the lands. This was accomplished only by tedious negotiations. In the month of November, also, the khédive issued the following decree concerning the powers of the comptrollers-general:

ARTICLE 1. The Comptrollers-General shall have in financial matters the most complete powers of investigation into all the public services, including those whose receipts have a special destination by virtue of decrees and contracts. Ministers and functionaries of every rank shall be bound to give every information and to furnish every document required by the Comptrollers and their agents. The Minister of Finance especially shall furnish the Control every week with a detailed statement of all receipts and expenditures at his Ministry. Every other Administration shall every month furnish a similar statement of receipts and expenditures.

ART. 2. The Comptrollers shall agree upon the public services over which they shall exercise the rights of supervision and control conferred by this decree.

ART. 3. The Governments of France and Great Britain having consented, for the moment, that the Comptrollers shall take no part in the management of the Administration and financial services, the Comptrollers shall for the present confine themselves to the communication to us or to our Ministers of such observations as their investigations give rise to. They shall also communicate to the Commission of the Debt all facts of a nature to interest the creditors of the consolidated Debt. They may also, on account of such facts, convene the Commissioners of Public Debt to examine such questions as the Comptrollers or the Commissioners of Public Debt may think advisable to discuss in common.

ART. 4. The Comptrollers shall have the rank of Ministers at the Council [of Ministers], and shall have a seat and a consultative voice there.

ART. 5. At the end of each year, and more frequently if necessary, the Comptrollers shall communicate to us their work in a report, which shall be published by them and inserted in the *Moniteur Égyptien*.

ART. 6. The Comptrollers can only be removed from their posts with the consent of their respective Governments. They shall name their own officials and fix their salaries.

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ART. 7. The expenses of the department of the Control shall be fixed by the Comptrollers and approved by the Ministers.

ART. 8. The amount required by them shall be paid to them monthly.

ART. 9. Our Ministers are charged with the execution of this decree.

(Signed) MEHEMET TEWFIK,
RIAZ PASHA.

November 15th, 1879.

The remainder of the year 1879 was consumed by the comptrollers in drafting a plan for the settlement of the financial question. Their report was presented to the khédive in January, 1880. Its most important suggestion was that a line of demarcation should be drawn at December 31, 1879; and that all debts contracted before that date should be settled by a law of liquidation, which should protect the Egyptian government from all suits based on claims of earlier date than 1880. It had been understood, when the comptrollers were appointed the previous summer, that a committee of liquidation should be instituted to draft such a law as the comptrollers now suggested and, further, to devise some such scheme for the final settlement of financial difficulties as was outlined in the report of the comptrollers. The commission was now appointed with the approval of England, France, Italy, Austria, Germany, and Egypt, and Sir Rivers Wilson was chosen its president. The khédive, in a decree issued in March, outlined the duties of the commission. It was to investigate thoroughly the finances of the country, to draw up a law of liquidation between Egypt and her creditors which should be binding on all concerned, and to make general provision to ease Egypt of her burdens. The governments represented in the commission agreed to accept its decisions as binding on the International Courts, and to request jointly, after having given their own approval, that the other Powers represented in the International Courts should also consent to the new law.

The work of the commission was completed by the middle of July, and the khédive at once signed the law of liquidation. It provided for the payment of the floating debt by giving thirty per cent cash and seventy per cent in the bonds of a new pref-

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erence debt. The national debt was converted into unified and preference stock, the former bearing interest at four per cent and the latter at five per cent. The unified stock, amounting to £57,776,340, was secured by the land tax, and the preference stock, amounting to £22,587,800, was secured by the railways, telegraphs, *etc.* The daira debt of £9,512,870, and the domain debt of £8,499,620 were secured respectively by the khédive's estates and his family's estates. The mûkabala[1] amounted to £7,500,000. The entire indebtedness was thus placed at over one hundred and five millions sterling. The mûkabala tax was abolished, and a source of revenue cut off; but it was thought that the daira, being freed now from debt, could be made to yield a revenue enough larger to counterbalance the loss of the mûkabala tax. The khédive had previously signed decrees abolishing this tax and certain others that had been declared by the commissioners of inquiry to be annoying to the tax-payer and of little profit to the state. The relief to Egypt by the new law was to be found in the reduction of the interest on the unified debt to four per cent. That would at once bring the expenses of the government below the sum of the revenues and furnish a surplus that could be applied to the service of the debt. The practical working of the law secured this very result. In 1881, after the discharge of all obligations, there remained a surplus of £321,265, which enabled the government to cancel nearly half a million of the funded debt. "The Liquidation Law of 1880," says Mr. Mulhall,[2] "first put the finances on a sound footing and . . . its effects have been just and beneficial."

Other causes, also, worked to secure the prosperity of 1880. There was an abundant harvest, and trade was vastly improved by the readjustment of the land tax and by the abolition of taxes in kind. In short, the condition of the fellah was substantially bettered; and when the fellah is happy, Egypt prospers. The improvement in the national credit was the cause of a great influx of foreign capital, chiefly from France, which was directed toward the development of the agricultural resources of

[1] See POLITICAL SCIENCE QUARTERLY, June, p. 311.
[2] *The Contemporary Review*, October, 1882.

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the land and toward the erection of buildings and the improvement of mechanical appliances. Money was loaned at a lower rate of interest than formerly, and as a consequence the price of land rose rapidly. At the same time attention was roused to secure the advancement of the people by giving them better facilities for education. The great Moslem university of Cairo instructed twelve thousand students in the philosophy of the Koran, but gave them no broader education than the word of the Prophet required. This was not enough for a country that was no longer isolated from the laws and learning of unbelievers, as it had been for the centuries preceding. The actual contact with European nations now made it necessary to cultivate the learning of the West. A commission was appointed to secure this end.

But the reform and prosperity were not to be without their hindrances. The Egyptians had had little thought for themselves while their condition seemed hopeless. Suffering, they were content to exist. But now their prosperity seemed to arouse the prejudices of race and religion and stirred the people to complain of the foreign influence and interference in Egypt. And though the prosperity was, as we have seen, in large part due to the foreign direction, there was some natural ground for complaint. The people could not look without envy and jealousy on the foreigners who were drawing immense salaries from the Egyptian treasury. Fifty thousand pounds a year was paid to European officials in the national debt office alone.[1] There

[1] The following salaries paid to foreign officials in the different departments were reported by Sir Edward Malet to his government on May 18, 1882: Cabinet of the Khédive, £3,000 (Egyptian pounds, £1 being about equal to $5); Maieh Sanieh, £676; Presidency of the Council of Ministers, £452; Teft of Gizeh and Gizereh, £436; Ministry of Foreign Affairs, £2,088; Ministry of Finance, £17,200; General Control, £14,101; Direction of the Cadastral Survey, £26,787; General Inspection of the *Octrois*, £2,770; Light House Service, £10,239; Mint, £144; Ministry of War, £8,351; Ministry of Marine, £2,691; Ministry of Public Instruction, £7,905; Administration of the Wakfij, £2,034; Ministry of the Interior, £3,978; Government of Alexandria, £780; of Port Said, £870; of Suez, £163; of El Arish, £84; Municipality of Alexandria, £540; Cairo Police, £1,567; Alexandria Police, £2,793; Suppression of the Slave Trade, £2,052; Marine Sanitary Council and Quarantine, £5,290; Council of Public Health, £6,084; Ministry of Justice, £6,848; Ministry of Public Works, £26,216; Railroad Administration, £29,761; Telegraph Administra-

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might not have been complaint if salaries had gone solely to comptrollers, commissioners, and judges; but there were, besides, French or English officials to direct the customs, the railways, the telegraphs, the harbors of Alexandria, of Port Said and of Suez, the coast-guard, the light-houses, the post-office, the finance department of the government, the public works, and the administration of the domain and daira lands. In all these offices, furthermore, the subordinate positions were divided almost equally between Frenchmen and natives. Major Baring had been replaced by Mr. Colvin as English comptroller, and M. de Blignières had assumed the lead in control in consequence of his seniority and greater experience in Egyptian affairs. In every way France had been more aggressive than her ally, and hers was now the leading influence in Egypt. It was even whispered that the prophecy that the Mediterranean would one day be "a French lake" was destined to fulfilment. French accessions in northern Africa encouraged this kind of talk. But it mattered not to the Egyptians whether French or English controlled: they were all alike foreigners, and on that account hated. Both were bad, and either was as bad as the other. That they were apparently robbing the natives of the salaries that seemed rightfully theirs was enough to make the inborn hatred intense.

The khédive, however, had more tolerance for the foreigners and more sympathy with the reforms they suggested. He believed that the comptrollers had the welfare of Egypt at heart, and he was ready to show his confidence by awaiting the development of the plans undertaken. This attitude, of course, tended to alienate the khédive from his people. Among them a national feeling had been aroused. During 1881 this feeling was crystallized into a recognized national movement, which was to culminate, in 1882, in the cry of "Egypt for the

tion, £6,193; Port of Alexandria, £3,681; Administration of Customs, £16,647; Administration of the Port, £19,509; Postal Steamer, £16,941; Salines, £162; Administration of the Public Domain, £25,042; Daira Sanieh, £19,672; Public Debt, £16,227; Parquet Administration, £3,083; Court of Appeals, £14,971; Alexandria Court of the First Instance, £22,344; Court of the First Instance at Cairo, £14,212; Court of the First Instance at Mansûrah, £8,869. Total, £373,491.

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Egyptians." There was only one place where this movement could take form, and that was in the army. Up to 1881 this was still composed almost entirely of Egyptians; but with the accession of Tewfik, in 1879, the army's grievances had begun. The sultan, notwithstanding the firman that Ismail had so dearly purchased, insisted upon enforcing military restrictions. The limit of enlistment was placed at 18,000 men. Next to the interference of France or England, that of the Porte was most unpopular among Egyptians. The curtailment of the army, however, might have been endured; but the innovations that were begun with 1881 were unbearable. The special grievance was the replacement of native officers by Turks.

The leading spirit among the disaffected troops was Ahmed Arabi Bey. Like many another who has moulded the destinies of kingdoms and peoples in the East, Arabi was born in the humblest surroundings. His parents were fellahîn, who toiled in the wheat-fields of Lower Egypt by day, and slept by night in a squalid hut, built of mud and straw. We may suppose that Arabi's boyhood did not differ materially from that of others of his class. He grew, however, to a stature and strength that made him noticeable among his fellows; and in his earliest manhood he was drafted into the military service of Said; for the latter, like the great king of Prussia, loved a man of fine form. But, like that king, he also had a temper that sometimes got the better of his love, and at one of those times he had Arabi, for some slight fault, publicly bastinadoed and dismissed from the army. The latter now entered the university at Cairo, where he devoted himself to the fanatical studies enjoined by his religion and won for himself a reputation for learning, piety, and good morals. Loring Pasha, who knew him at that time, writes:

> He was a fanatic in his close attention to the duties of his religion, rigidly following its superstitious customs, never neglecting his numerous prayers and ablutions, or his attendance at the mosque. Intimate with the sheiks and ulemas, he was always looked upon as a pillar of the faith.[1]

[1] W. W. Loring, A Confederate Soldier in Egypt, p. 193.

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Upon Ismail's accession to the throne, Arabi re-entered the army, where the influence of his studies brought him into prominence. Soon afterward he married the daughter of a nurse to one of the princes, and this connection gave him some acquaintance with royal affairs. But his power and popularity really had their beginning in a secret society that was organized in Cairo after the close of the Abyssinian campaign, in which Arabi had held the rank of lieutenant-colonel. His chief coadjutor in the formation of this society was Ali Pasha, and their object was to encourage a feeling of opposition among the fellah officers to the condition of affairs imposed on Egypt by the European control. Arabi had always been the friend of the fellahîn, from whom he sprang; and it was the desire of his life to secure their rights.

When Tewfik ascended the throne, Arabi was made colonel, and his influence steadily increased. In 1881, therefore, the disaffected troops looked to him as their natural leader. His own experience under Said gave Arabi a sympathy for those officers who were removed without cause that Circassians and Turks might be given places, and he now became the champion of those who had been thus wronged. In February, Arabi and the other colonels demanded the dismissal of the minister of war, a Circassian who favored the Turks and hated the Arabs. As soon as the minister heard of the demand, he had Arabi and two colleagues arrested; but they were rescued from prison by Arabi's regiment and borne off in triumph. The Circassian, Osman, was removed, and Mahmûd Sami was appointed to his place. For some months, now, the distrust existing between the military party and the khédive increased. The colonels feared assassination, and the khédive a revolution. The rupture came on September 9, in the so-called "Insurrection of the Colonels." On the morning of that day Arabi submitted a document to the khédive, calling for the dismissal of the entire ministry, for the drafting of a constitution, and for the increase of the army to its limit, 18,000 men. On the afternoon of the same day, with 4,000 troops and eighteen cannon, the champion of the army marched to the palace to get the khédive's answer.

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Arabi intimated that, if the demands were not met, Tewfik's successor would be forthcoming. And still the khédive demurred; but only for a time. He at length named a ministry — which, however, was unsatisfactory to Arabi. The latter demanded that the formation of the cabinet be left to Sherif Pasha. Sherif was second only to Nubar among Egyptian statesmen; but he utterly lacked the latter's firmness of character. This was to Arabi's liking; for he wanted not a master, but a slave. Sherif was, moreover, a good Mohammedan; and he was therefore better liked by the people than Nubar, the Armenian. The khédive gave way to the inevitable, and on September 14 Sherif formed a new ministry.

The foreign Powers now awoke to the apparent danger of a still more formidable insurrection. As Mr. McCarthy rhetorically stated it:

> A wondering world began to ask whether Arabi Bey was the Cromwell of a great movement against an Egyptian Charles; the Garibaldi of a struggle for national liberty against a foreign rule; a scheming political adventurer, fighting for his own hand like Hal of the Wynd, or only a puppet, whose actions were guided by mysterious unseen strings.[1]

England was somewhat alarmed, but not to the extent of wishing to intervene herself. She wanted Turkey to send troops to Egypt to overawe the spirit of insurrection. But France would not consent to any kind of Turkish intervention. The sultan, however, was not to be baffled. The wily Abdul Hamid did not propose to let Egypt drift away from his suzerainty again to the length that it had under Ismail. He may not have had any determined policy. If he had, we are certainly ignorant of it. We simply know that he kept a jealous guard of his authority. From this time on there were intimations of mysterious signs of secret correspondence, first between the sultan and the khédive, and afterward between the sultan and Arabi; but the signs were almost never supplemented with proofs. Abdul Hamid did, however, take some steps openly that indicated a considerable degree of independence. He announced on September 20

[1] Justin McCarthy, M.P., England under Gladstone, ch. xiii.

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that he had decided to send an emissary to Cairo. Both France and England protested; but, notwithstanding this, he dispatched two emissaries, October 3. Two days after this Lord Granville, the English minister of foreign affairs, proposed to M. St. Hilaire, who held the same portfolio for France, that the khédive be advised to receive the envoys, but "firmly to oppose any interference on their part in the internal administration of Egypt."[1] A joint note to this effect was sent to the khédive.

No sooner had the envoys arrived in Egypt than the feeling against the unbelievers began to show itself more openly. It is thought that the sultan sent secret messages to encourage a show of bitterness on the part of the students of the university of Cairo.[2] The foreign population became alarmed at the evidences of hatred and hostility. To reassure them, and to protect them if necessary, an English and a French vessel were sent at once to Alexandria. This move naturally excited the disapproval of the sultan; but Lord Granville said, through the English ambassador at Constantinople, that the war-ships must remain at Alexandria so long as the envoys remained in Egypt. The sultan hastily decided, therefore, to recall the envoys, and they left Egypt on October 19. Though their stay had been short, they had succeeded in fomenting the ill-feeling against England.

It was known that France was occupied with the new acquisition of Tunis, and all attention was turned to England with fear that she was bent on annexation. To allay this fear it became necessary for the British government, in November, to instruct Sir Edward Malet, her consular representative in Egypt, to assure the khédive's government that the British policy was opposed to intervention and foreign aggrandizement, and would

[1] Quoted from William Stone, M.A., Shall we Annex Egypt?

[2] This great university has always been the hot-bed of Moslem fanaticism. When I arrived in Egypt, two months after the emissaries had been recalled, it was considered almost dangerous for foreigners to visit the university. A party of us went, however, and suffered no other indignity than hisses from the students whenever our faces were turned away. Some friends of mine were less fortunate in their visit a few weeks later. Not only were they hissed, but missiles were thrown at them, and they were actually set upon and driven from the place. The insult was prompted by the feeling that found vent a few months later in the massacre of Alexandria.

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not favor the separation of Egypt from Turkey, nor contend for more than the fulfilment of the sultan's firmans as already promulgated. It was declared, however, that this policy would not be maintained if disorders became prevalent. This was a firm note for Mr. Gladstone's government, which had not sought a control in the affairs of Egypt but had been compelled, rather, by the circumstance of governmental inheritance, to accept what Disraeli bequeathed. The note had the effect of averting for a time the dread of British occupation. The feeling of security was still further increased by a joint letter addressed to the khédive by Lord Granville and M. Léon Gambetta, who had been called to the presidency of the French cabinet, November 14. Its purpose was less to calm the nationalists than to strengthen the khédive's government against the military party. The letter declared that England and France considered the maintenance of the khédive's power the sole guaranty of the present and future welfare of Egypt.

Soon after this, when all was apparently quiet in Egypt, I visited that country, and was privileged to have an interview with the khédive, January 2, 1882, in which he dwelt at some length upon the reforms he was endeavoring to introduce. He desired and was aiming at three great reforms, religious, political, and educational. On the last he rightly laid the greatest stress.

> For [said the khédive] while the people remain ignorant, reform in any direction is impossible; but let learning be spread among the people and throughout the land, and political and religious reform will follow as a natural consequence in the path of educational advancement. For this reason I am devoting my greatest energies to the spread of learning. The people must know more than the Koran; they must know geography and arithmetic and algebra and the sciences and the modern languages. All these pursuits and studies are now being advanced; schools are being founded in all the large towns of Egypt, both Upper and Lower, and now the numbers have increased from the ten or fifteen thousand I found on my accession to between eighty and ninety thousand students. My own boys attend the common schools; and, though princes to the world, they are there boys with the other boys and stand upon no different footing. Out of my own purse I have given fifteen

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thousand pounds a year to the schools since I came to the throne. Often, too, I go to the schools myself, and, if I say anything, I point to the United States for an example. I say that its greatness is due to the education of the people, to their enterprise, to their liberty of speech and freedom of thought; and I urge my people to become likewise educated, free and great. Another reform that I am about to introduce is the education of women. Heretofore they have always been ignorant, more like slaves and animals than free women; but now they, too, shall have their schools, and, being educated, they can be better mothers to their sons, the coming children of a new Egypt. Soon, now, one of these schools will be opened in Cairo, and I shall send there my own little daughter and the daughters of the nobility of Egypt, and then the others will come. The women of enlightened countries are on an equal footing with the men, and they must be here also; and therefore they must be educated.

When travellers come here, I do not wish them to look upon us as barbarians, but as the most enlightened country of the Orient. We have been barbarous in some things; but of these I wish to remove the last vestige, and I have already abolished some of the most atrocious practices of our religion. Last year I put an end to that barbarous ceremony of the Dosseh. Before then it was the custom, when the yearly pilgrims had returned from Mecca bearing the holy carpet, to have a great ceremony, most revolting and barbarous. One hundred men would lie prostrate at the door of the mosque, with head toward Mecca, and over their bodies would ride upon a horse the sheikh of the mosque. Always from eighteen to twenty of this hundred were killed under the feet of the horse. Europeans used to go in crowds to see this spectacle, and then call it barbarous. It is true, it was barbarous, and was without authority from the Bible, the Koran, or the Prophet; and so I abolished it. People said a revolution would follow; but we are better for the change.

Another change that I am working for is to make my people content with one wife. I have but one myself, while my predecessor (my father) had many. I set the example I wish my people to follow; for, thank God, I make my own personal desire second to the welfare of Egypt and my people. When the people tell me the Koran says a man may have four wives, I tell them to read further on in the same book, where it says that the man who is content with one wife will lead a better, purer, and happier life. As it is now, family happiness is impossible. The children of one mother are jealous of those of another, and the man cannot be the same husband to four wives that he would be to one. The man and woman must be equal, and live their lives for each other and their children. And this, I say, is not inconsistent with, but the better interpretation of, our religion.

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Further, I desire to make my people liberal in regard to religious beliefs and respectful towards Christians, Jews, and Mussulmans alike. They must not call the Christian the Devil, as they have heretofore; but must respect if they do not believe. I myself am a Mussulman. I go to the mosque once a week; for though my father did not do so before me, I nevertheless said, when I came into power, that I would respect my religion and live up to its teachings. But I encourage all religions. Here, in Cairo, I gave land on which to build a Protestant mission, where the young might be instructed; also other land on which to build a hospital, open to people of all religions; and just within a few days I have given land in Upper Egypt for the erection of another Protestant mission. All this I do without changing my own religion or asking others to change theirs. In fact, when a person wrote me the other day that he would like to change his religion for mine, I replied: Follow the teachings of your own religion and you will be good without any change.

It is difficult [the khédive went on, with a perceptible sadness in his voice] for me to do all that I would like to, or give my people all that I desire while other Powers have their hands in my pockets. Still, I have decreased the royal expenses greatly since I ascended the throne. My allowance is half a million dollars, and even out of this I give considerable. My father before me spent between ten and fifteen millions yearly in supporting his five or six hundred women and a palace and household that rivalled the Vatican for size. But I have great hopes for Egypt, and shall live and work for her prosperity.[1]

It will be admitted that these are views of an enlightened ruler, even though subsequent events may have proved him a weak one. The khédive's prime minister, Sherif Pasha, said at the same time:

Give us time for our reforms; let us have ten years of peaceful toiling, and Europe will be astonished at the vitality of a long-suffering nation, at the prosperity and wealth, the progress and rapid development of a country so long misgoverned, and for ages kept in ignorance and in the bondage of servitude.[2]

But there were so many disturbing elements in the condition of affairs in Egypt that the dream of "years of peaceful toiling" was as vain as it was impossible of realization.

[1] These utterances of the khédive were published in an article of mine in *The Independent*, February 2, 1882.

[2] Quoted from The Belgium of the East, p. 138.

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Egypt for the Egyptians.

January 4, 1882, Arabi Bey was taken into the cabinet as assistant minister of war. Just before this the chamber of notables, strongly representative of the national party, had convened on the summons of Sherif Pasha. Sherif at once proposed a parliamentary reorganization, wishing to introduce the principle of ministerial responsibility, and gave the notables full constitutional prerogatives. They were to be no longer the mere consultative body that Ismail organized with his false show of reform. The notables had outgrown their former pious regard for the will of the khédive, and were not only willing to accept all that Sherif offered, but demanded in addition that the budget be submitted to them. This met with a quick opposition on the part of the comptrollers-general. The two Powers vetoed, January 7, the demand for constitutional government. Arabi and the nationalists were incensed. They longed for constitutional liberty and knew not that it appears only as the result of a slow internal growth, of which the germ had as yet barely taken root in Egypt. Outside of the Copts, the Christian Syrians, and the merchants of Cairo and Alexandria, there were few men in Egypt who had the faintest conception of what was meant by constitutional liberty. The Porte, however, not to neglect an opportunity to show its suzerainty, protested against the veto and appealed to the other Powers. Gambetta was eager to make the most of the complications, and proposed to England that they should despatch a joint expedition to Egypt to re-establish order. England refused, and Gambetta's aggressiveness was cut short by the defeat of his ministry. He was succeeded by de Freycinet, whose policy was diametrically opposed to Gambetta's. The new minister was for non-interference. He replaced the zealous de Blignières by M. Bredif, thus giving England's representative in the control the predominance that goes with seniority.

While now the western Powers were occupied with diplomatic negotiations with the Porte, the chamber of notables submitted an alternative to Sherif Pasha: either he must accept their

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constitutional demands or resign from the ministry. He resigned, and Mahmûd Barûdi formed a new cabinet with Arabi Bey as minister of war and marine. The military party now took the lead. Arabi and six other colonels were promoted to the rank of general, with the title of pasha. Some five hundred promotions were made during three months. At the same time many European clerks were dismissed from their offices. Arabi's popularity, meanwhile, was steadily increasing. In April he claimed to have discovered a plot to assassinate himself and other generals. Some fifty officers, many of them the still unpopular Circassians, and all of them believed to be loyal to the khédive, were arrested and tried by court-martial, and forty were sentenced to be banished for life to the White Nile —a sentence considered equivalent to death. This produced an agitation. The foreign consuls protested; the sultan was furious that the Circassians whom he had himself decorated with favors should be thus dishonored; and the khédive refused to give the sentence his signature. Finally, however, he commuted the sentence to exile from Egypt. But this displeased his nationalist ministry, who, on the 14th of May, convoked the chamber of notables without the consent of the khédive. The notables, however, refused to sit. At this juncture England and France, who had reconciled their differences, gave notice to the Powers that they were about to send a joint fleet to Alexandria to uphold the authority of the khédive and preserve the *status quo*. And the sultan, who slyly sought to ride on the crest of every wave, sent a note to the Egyptian ministry, chiding them for summoning the chamber unconstitutionally and rebuking them for their threat to oppose with force the landing of Turkish troops in Egypt. This was considered by the Powers an irregular communication on the part of the Porte. But the wily sultan was to be charged with still more irregular notes. His alleged secret correspondence from this time on is believed to have concealed many plots and intrigues.

On the 20th of May the united English and French squadrons appeared in the harbor of Alexandria. Five days later the English and French consuls demanded the dismissal of the

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ministry and the expatriation of Arabi. The ministers forthwith handed in their resignations; but Arabi declared that he would remain at the head of the army. In the meantime the fortifications about Alexandria were increased and the harbor was put in a state of defence. The guards at Cairo swore to oppose with force any foreign intervention; and the sheikhs and Bedawîn of the desert promised their support against European, but not against Turkish, intervention. Lord Dufferin, the English ambassador at Constantinople, naïvely informed the sultan that, as the Porte's authority had never been called into question, it would not be necessary for Turkish troops to co-operate to quell the fractious spirit; England and France would be quite equal to the task. The poor khédive, from the day he dismissed the ministry, was beset with trials and torments. He could not form a new ministry, and the utmost influence was brought to force him to reinstate Arabi as minister of war. The commanders of the Alexandria fortification said they would obey the orders of no one but Arabi. Notables, sheikhs, ulemas, officers, urged and even demanded the reinstatement. At length Tewfik was forced to give way. The sultan telegraphed that he would send a commissioner to Egypt to investigate the troubles. France objected strenuously to his coming, but England and the other Powers thought that he might avert the impending danger. England, however, continued to oppose any military expedition from Turkey. De Freycinet felt that France had been left in the lurch, and proposed that a conference of all the Powers be held at Constantinople to settle the Egyptian question definitely. But in the meantime the sultan had despatched Dervish Pasha to Egypt to lend support, as he announced, to the khédive.

The commissioner arrived on the 8th of June. His presence had no quieting effect. Arabi was the only minister who had been appointed; and he was, in fact, the hero and the autocrat of the hour. But, through the influence of Dervish, a ministry was formed favorable to the khédive, with Ragheb as president. It was, however, powerless to still the tumult of passion that had been aroused in Egypt during the past few months. Ha-

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tred of the Christians was shouted through the streets.[1] The people who had cowered before the kûrbash during all the woes of Ismail's reign, who had seen the wealth of the Nile valley melt away before their eyes year after year, who had abjectly begged for *backsheesh* from every stranger in their land, now sprang to a position of independence and defiance. Fanaticism was burning to its utmost intensity. It became a flame of fury on the 11th of June, in the massacre at Alexandria.

Just what the immediate cause of that outbreak was, is a disputed point. It is claimed, on the one hand, that it began by a Maltese stabbing an Arab; and, on the other, that the massacre was preconcerted, being countenanced by Arabi himself. Colonel Long, who was in Cairo at the time, says[2] that a secret council was held in that city on the evening before the massacre, which Arabi and several of the notables attended. One of the number, who had openly preached the duty of massacre in the mosques of Alexandria, arrived in that city before the hour of the slaughter. The troops at Alexandria, who had proclaimed that they would obey the orders of no one but Arabi, turned their bayonets against the Europeans and aided the Arabs in the massacre. The police joined the same mad throng. These facts would seem to point toward complicity on the part of Arabi. The massacre was as horrible in its way as the massacre of the memlûks in 1811, or the Syrian massacre of 1860. The Oriental is frenzied at the sight of blood and impelled to the most atrocious crimes. His fury does not spend itself; it is only checked when the opportunity of bloodshed is exhausted or some force interposed. The Maltese, the Greeks, and other Europeans banded together and offered, at last, an effectual resistance; but not before about a hundred of their number had been butchered, and some five hundred Arabs had been killed.

Abuse was heaped upon the English and French admirals, who had offered no assistance to the Europeans of Alexandria, although they had witnessed the outrages and had sufficient

[1] Col. C. Chaillé Long, The Three Prophets, p. 119.
[2] *Ibid.*, p. 120.

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force on the ships, within sight, to quell the disturbance. Their boats were ready to land the marines, but the admirals could not act without orders from their governments. So they said, at least; but they might as well have claimed that they should not take in sail at the approach of a hurricane except by governmental sanction. As Colonel Long says: "It is difficult to understand the hesitancy of an officer to assume responsibility, however great, in the presence of a great crime like this committed against humanity."[1]

The massacre created, naturally, a panic among the Europeans in Egypt. They fled from Cairo to Alexandria, and from Alexandria they took passage in any craft that would bear them from the scene of crime and the seat of danger. It was a stampede for life, with no thought of the property forsaken. The khédive, accompanied by Dervish Pasha, went to Alexandria, June 13, to endeavor to restore quiet by his presence. He formed a new ministry at the dictation of the German and Austrian consuls, June 16, giving Arabi his old place as minister of war, and retaining Ragheb as president of the council. But England and France refused to recognize the ministry. The khédive was in despair. His departure from Cairo had left Arabi virtual ruler there. The latter was at the high tide of his power. The sultan, immediately after the massacre, had conferred a great honor upon him by investing him with the order of the Medjidieh. Dervish Pasha, the sultan's representative, was believed to be working in his behalf, and to be fomenting rebellion. Arabi said himself when, months later, his power was gone:

> The Sultan, the real sovereign of this country, also sided with us and loaded us with marks of his approbation. His representative concurred in our resistance, and his trusted officers exhorted us to defend the country from what they termed the rapacity of England. The opening acts of the war were carried on in his name.[2]

So far back as February, the chaplain to the sultan had

[1] The Three Prophets, p. 129.

[2] Ahmed Arabi, Instructions to my Counsel, in *The Nineteenth Century*, December, 1882.

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written to Arabi: "In a special and secret manner I may tell you that the Sultan has no confidence in Ismail, Halim, or Tewfik. . . . His Majesty has expressed his full confidence in you."[1] During the flight of the Europeans, Arabi was sounding his cry of "Egypt for the Egyptians," and was exercising the utmost activity possible in military preparations. The warlike spirit had spread throughout the country, and recruits and money were pouring in. Work on the fortifications at Alexandria was pushed with renewed vigor.

Meanwhile the conference of Powers had met at Constantinople, June 23; but nothing had been accomplished. The Porte would not commit itself to policy or to action. It is probable, however, that it contemplated the restoration of all its old power in Egypt. England, at all events, feared this. The possibility of such a thing was a menace to the Indian empire. While, therefore, the conference was slowly seeking a solution of difficulties, England resolved to take decisive action; not so much, as has been held by some, to mete out punishment for the Alexandrian massacre as to protect her interests in Egypt and the farther East. But, whatever her motives, she acted in the service of the world's civilization when she set her face against the restoration of the sultan's power in Egypt.

On the 6th of July, Sir Beauchamp Seymour, the admiral of the British fleet at Alexandria, protested against the continued work on the fortifications about the harbor, and announced to the military governor, Tûlba, that unless the work ceased he would open fire upon the fortresses. Tûlba replied that the admiral's assertions as to the work of fortifying were unfounded. But electric lights from the British vessels discovered the Egyptian soldiers hard at work by night. July 10, Admiral Seymour sent a second message:

> I shall carry out the intention expressed to you in my letter of the 6th inst., at sunrise to-morrow, the 11th inst., unless, previous to that hour, you shall have temporarily surrendered to me, for the purpose of disarming the batteries on the isthmus of Ras-el-Tin and the southern shore of the harbor of Alexandria.

[1] Quoted from Arabi's papers in Broadley's How We Defended Arabi, pp. 169 and 170.

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The khédive's prime minister replied to this, refusing to comply with the admiral's demands; whereupon the latter sent a brief message containing the implication that his threat would be carried out. These messages had not been exchanged without creating great alarm among the Europeans who still remained in Egypt. The consuls appealed to the admiral for delay and sought to mediate, and the Porte, through its London ambassador, demanded that the bombardment be interdicted; but the admiral's determination remained unaltered. Endeavors were now made to put all remaining foreigners on shipboard. Many had lingered in Cairo, loth to leave their posts or their property. The notice given them was short — so short that Admiral Seymour has been bitterly blamed for his haste.[1] The impending bombardment, it was known, would be avenged on any unfortunate foreigners who might thereafter fall into Arab hands.

Late on the afternoon of July 10, all the vessels in the Alexandrian harbor, except the British fleet, weighed anchor and passed out to sea, their decks swarming with refugees of many nationalities. The French fleet was among the departing ships. If a Gambetta had been premier of the French government, Admiral Conrad would have remained. He would have insisted upon joint action or joint inaction. But de Freycinet was weak. After seeing the disfavor with which France had suffered intervention in Tunis, he feared to sanction intervention in Egypt. And so Admiral Conrad and his fleet sailed away; and France, as the sequel has shown, passed from a controlling power in Egypt.

The story of the bombardment of Alexandria, from a military point of view, is best told from the official reports[2] of Admiral Seymour. He wrote the following from his flagship *Invincible*, July 20:

[1] *Vide* Stone Pasha's Introduction to Fanny Stone's Diary, in *The Century Magazine*, June, 1884.

[2] These official reports, as well as detailed descriptions of the defences of Alexandria and of the attacking fleet, and statements of the effect of the fight upon ships and fortifications, are given by Lieutenant-Commander Casper F. Goodrich, of the U. S. Navy, in his Report of the British Naval and Military Operations in Egypt.

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At 7 A.M., on the 11th, I signalled from the *Invincible* to the *Alexandria* to fire a shell into the recently armed earthworks, termed the Hospital Battery, and followed this by a general signal to the fleet, "Attack the enemy's batteries!" when immediate action ensued between all the ships in the positions assigned to them, and the whole of the forts commanding the entrance to the harbor of Alexandria. A steady fire was maintained on all sides until 10.30 A.M., when the *Sultan*, *Superb*, and *Alexandria*, which had been hitherto under way, anchored off the Light House Fort, and by their well-directed fire, assisted by that of the *Inflexible*, which weighed and joined them at 12.30 P.M., succeeded in silencing most of the guns in the forts on Ras-el-Tin; still some heavy guns in Fort Ada kept up a desultory fire. About 1.30 P.M., a shell from the *Superb*, whose practice in the afternoon was very good, blew up the magazine and caused the retreat of the remaining garrison. These ships then directed their attention to Fort Pharos, which was silenced with the assistance of the *Temeraire*, which joined them at 2.30 P.M., when a shot from the *Inflexible* dismounted one of the heavy guns. The Hospital Battery was well fought throughout; and, although silenced for a time by a shell from the *Inflexible*, it was not until 5 P.M. that the artillerymen were compelled to retire from their guns by the fire of the off-shore squadron and the *Inflexible*. The *Invincible*, with my flag, supported by the *Penelope*, both ships being at anchor, the latter on one occasion shifting berth, and assisted by the *Monarch*, under way inside the reefs, as well as by the *Inflexible* and *Temeraire* in the Boghaz and Corvette Channels, succeeded, after an engagement of some hours, in silencing and partially destroying the batteries and lines of Mex. Fort Marsa-el-Khanat was destroyed by the explosion of the magazine after half an hour's action with the *Monarch*.

About 2 P.M., seeing that the gunners of the western lower battery of Mex had abandoned their guns, and that the supports had probably retired to the citadel, I called in the gun-vessels and gun-boats, and under cover of their fire landed a party of twelve volunteers, under the command of Lieut. B. R. Bradford, of the *Invincible*, accompanied by Lieut. Richard Poore, of that ship, . . . [and three others] . . . who got on shore through the surf, and destroyed, with charges of gun-cotton, two 10-inch M. L. R. guns, and spiked six smooth-bore guns in the right-hand water battery at Mex, and returned without a casualty beyond the loss of one of their boats (*Bittern's* dingy) on the rocks. This was a hazardous operation very well carried out. Previous to this, after the action had become general, Commander Lord Charles Beresford, of the *Condor*, stationed as repeating ship, seeing the accuracy with which two 10-inch rifled guns in Fort Marabout were playing upon the ships engaged off Fort Mex, steamed up to within range of his 7-inch 90 cwt.

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gun, and by his excellent practice soon drew off the fire. I then ordered him to be supported by the *Beacon*, *Bittern*, *Cygnet*, and *Decoy*, the *Cygnet* having been engaged with the Ras-el-Tin forts during the early part of the day. I am happy to say, during the action, no casualties happened to those vessels, owing, in a great measure, to the able manner in which they were manœuvred, and their light draught enabling them to take up their positions on the weakest point of the batteries. The action generally terminated successfully at 5.30 P.M., when the ships anchored for the night.

The force opposed to us would have been more formidable had every gun mounted on the line of works been brought into action; but in the Ras-el-Tin batteries, few of the large smooth-bores, and fewer still of the French 36-pounders, bought in the time of Mehemet Ali, were manned, the Egyptians preferring to use the English 10-inch, 9-inch, 8-inch, and smaller muzzle-loading rifled guns. These guns are precisely the same as those which her Majesty's ships carry, and no better muzzle-loading guns can be found. They were abundantly, even lavishly, supplied with projectiles of the latest description, chilled shot, and the sighting of the guns was excellent. The same may be said of the guns in the Mex Lines, excepting that in them the 36-pounders were more used, and that one, if not two, 15-inch smooth-bores were brought into action, in addition to the 10-inch, 9-inch, and smaller M. L. R. guns fired. Fort Marabout brought two 10-inch M. L. R. guns into action at long range, shell after shell of which came up toward the in-shore squadron in an excellent line, falling from ten to thirty yards short. Not one shell from the guns in the southern batteries burst on board her Majesty's ships during the day.

Though the Arabs' shells failed, their other shot took effect. The *Alexandria* was struck twenty-five times, and the *Invincible* was pierced by six shots. The shells from the ships burst, many of them, over or in the city, destroying much property. The English loss for the day was six killed and twenty-seven wounded. The Arab loss was much greater. At least one hundred and fifty men in the forts were killed; but trustworthy information as to their casualties is wanting. The Arabs stood by their guns with an undreamed-of courage; for the forts were not silenced till the gunners had been killed. On the 12th of July the firing was resumed. Admiral Seymour said, in his despatch:

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On the morning of the 12th I ordered the *Temeraire* and *Inflexible* to engage Fort Pharos, and after two or three shots had been fired a flag of truce was hoisted on Fort Ras-el-Tin, and I then sent my flag lieutenant, the Honorable Hedworth Lambton, in to discover the reason, and, from his report, there is no doubt it was simply a ruse to gain time; and, as negotiations failed, my demand being to surrender the batteries commanding the Boghaz Channel, one shot was fired into the Mex Barracks Battery earthwork, when a flag of truce was again hoisted. I then sent Lieutenant and Commander Morrison into the harbor, in the *Helicon*, and on his going on board the khédive's yacht, the *Mahrussa*, he found she had been deserted, and he reported, on his return after dark, his belief that the town had been evacuated.

Such, indeed, was the fact. Arabi had gone, but the khédive had remained. The khédive had presided at a cabinet council, held at Ras-el-Tin, on the morning of the 10th, and had given his sanction to the proposed defence of the city. That evening, accompanied by Dervish Pasha and his immediate household, he retired to the palace of Ramleh, where he remained during the bombardment. On the afternoon of the 12th he sent to Admiral Seymour, imploring his protection. Arabi claimed that by this act the khédive basely deserted his people. But Tewfik feared for his life. A band of soldiers had sought entrance to the palace, asserting that they had Arabi's instructions to murder the khédive. Arabi is said to have countermanded this order and to have stationed a guard about the palace, when he determined to evacuate the city. Another story states that Tewfik bought his life with bribes and orders of distinction. At all events the trembling Tewfik remained at Ramleh while Arabi withdrew his forces and his followers along the Mahmûdieh canal.

And now the fair city of Alexandria became such a scene of pillage, massacre, and wanton destruction as to make the world shudder. It was the old tale of horrors. Houses were plundered and burned; the European quarter, including the stately buildings surrounding the Great Square of Mehemet Ali, was sacked and left a heap of smoldering ruins; and more than two thousand Europeans, for the most part Levantines, were massacred with all the cruelty of oriental fanaticism. This was

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on the afternoon of the 12th. It was the second massacre that had occurred under the very eyes of the British fleet. The admiral's failure to prevent it has been called unfortunate by some and criminal by others. It seems to have been wholly without excuse. The most plausible palliation of the neglect is found in Lieutenant-Commander Goodrich's "Report," but even that carries its blame. He says (page 75):

> A few hundred men could have seized and held the place on July 12th, so great was the fear on the part of the Egyptians, both soldiers and citizens, caused by the bombardment — a fear not known, at the time, to the British Commander-in-chief. In consequence of the lack of information, this memorable battle was followed by one of the most shocking, wanton, and deplorable catastrophes of the century.

The blue-jackets were landed on the 13th, and cleared the way before them with a Gatling gun. The next day, more ships having arrived, a sufficient force was landed to take possession of the entire city. The khédive was escorted back to Ras-el-Tin from Ramleh, and given a strong guard. Summary justice was dealt out to all hostile Arabs who had been captured in the city. In short, English intervention was followed by English occupation.

The bombardment of Alexandria had defined clearly the respective positions of Arabi and the khédive toward Egypt and the Egyptian people. The soldiers and the sympathy of the land were with Arabi. His cry was, "Egypt for the Egyptians," and these words embodied everything that was held dear and sacred by the people. The khédive was not only weak in the eyes of his people, but he was regarded as the tool of England. He had deserted his soldiers and fallen on his knees to beg the protection of unbelievers. From the moment the first shot was fired upon Alexandria, Arabi was the real ruler of the people. But England could never suffer Egypt to exist solely "for the Egyptians." With France, she had placed Tewfik on the throne to protect the interests of her bondholders, and to secure her power in and over the country alongside of which flowed the chiefest artery of her commercial life. Her duty

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and her interest compelled the re-establishment of Tewfik's power. He was the nominal ruler and must once more be made so in fact. If Arabi refused to end his preparations for war at the bidding of the khédive and persisted in opposing the defenders of the khédive, then he was a rebel and the leader of rebellion, and he must be compelled by force to submit. Such was the reasoning that led England to play the role of the khédive's defender and to prepare for a war in Egypt.

The conference at Constantinople was stirred by the news of the bombardment of Alexandria. It presented a note to the Porte, July 15, requesting the despatch of Turkish troops to restore the *status quo* in Egypt. But the sultan had no idea of taking the part of the Christian in what all Islam regarded as a contest between the Moslem and the unbeliever. Arabi had called himself the defender of the faith. He and his followers were the soldiers of the Prophet. The ulemas and dignitaries of the mosques of Stambûl advised the sultan not to risk his caliphate by opposing the heroes of the Mohammedan faith. And so Abdul-Hamid deliberated and delayed. France was uneasy at the prospect of war, and Gambetta, now the leader of the opposition, was furious at the prospect of being out of the row. He appealed to the French chamber to insist upon dual intervention, but in vain. Even the timid de Freycinet went farther than the chamber would sanction. He proposed to confine operations to the protection of the Suez canal, and applied for a supplementary credit in order to undertake the necessary military preparations. But the credit was denied, and he resigned, July 24. A ministry with a policy of positive inactivity was formed by M. Duclerc. Contrasted to the strange inertness of France was the attempt at interference on the part of Russia, Austria, and Italy. Russia would have given Egypt to England if she could have won the Bosphorus as an offset; but Prince Bismarck did not approve the contemplated annexation by Russia, and his power over Austria and Italy was such as to enable him to frustrate the plan. The sultan appealed to Bismarck to support the Porte against England as well; but this the German chancellor declined to do,

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telling the sultan that he must yield to the inevitable in Egypt. And thus the diplomatic contest was left to the chief combatants, England and Turkey.

In Egypt, the khédive had been prevailed upon, after some demur, to proclaim Arabi a rebel and discharge him from his cabinet. Arabi had issued a counter-proclamation, on the same day, declaring Tewfik a traitor to his people and his religion. Having received the news of the khédive's proclamation, Lord Dufferin, the British ambassador at Constantinople, announced to the conference that England was about to send an expedition to Egypt to suppress the rebellion and to restore the authority of the khédive. Thereupon the sultan declared that he had decided to send a Turkish expedition. Lord Dufferin feigned to accept the sultan's co-operation, but demanded that the Porte, as a preliminary step, should declare Arabi a rebel. Again the sultan was confronted with the danger of incurring the wrath of the Moslem world. He could not declare Arabi a rebel. He was manifestly in an uncomfortable position. His sympathies were with Arabi. But if he fought, he must fight against him; for he could not oppose England; and if he kept out of the fray, he must suffer the humiliation of seeing a foreign force settle the affairs of his suzerainty. He was between two fires. In his desperation he sent a force of three thousand men to Suda bay with orders to hold themselves in readiness to enter Egypt at a moment's notice. Lord Dufferin now submitted a proposal for co-operation, naming the following conditions:

1. That the Turkish contingent should be restricted to 5,000 men. 2. That it should land at Abûkir, Damietta, or Rosetta. 3. That its movements and operations should be regulated by a previous agreement between the English and Turkish commanders. 4. That a Turkish military commissioner should be attached to the English headquarters and an English commissioner to the Turkish headquarters; and, 5. That the English and Turkish troops should evacuate Egypt simultaneously.[1]

The representatives of the Porte in the conference would not accept these conditions, wishing any Turkish expedition to act independently of England. In the meantime, however, the

[1] Quoted from Appleton's *Annual Cyclopædia* for 1882, p. 250.

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English expedition had arrived in Egypt and was proceeding to crush the rebellion, regardless of the diplomatic delays and bickerings at Constantinople.

Arabi's Rebellion, and the Reforms that followed.

For a month after the bombardment, the British army at Alexandria was satisfied simply to hold its position. Lieutenant-Commander Goodrich describes the role it played during this time as "of a negative character, in the main consisting in an efficient if passive defence of the city against the Egyptians encamped and intrenched at King Osman and Kafr Dowar."[1] Several sorties, however, were made on the armed railway trains; but there was scarcely an engagement worthy the name. On the 21st of July an army corps, under the command of General Sir Garnet Wolseley, had been ordered to Egypt, and pending his arrival the army of occupation preserved, for the most part, an attitude of defence, though making an occasional reconnoissance. On the 28th of July the British Parliament formally recognized the preparations for war by a vote of two million three hundred thousand pounds for the expense of the expedition. It was not until the 15th of August that Sir Garnet Wolseley arrived with his force[2] in Egypt. The English at that time held only two points, Alexandria and Suez, while the entire Egyptian interior, as well as Port Said and Ismailia, were held by Arabi, whose force, it was estimated, now amounted to about 70,000 men, of whom at least 50,000 were regulars.

The objective point of General Wolseley's expedition to crush Arabi was, of course, the city of Cairo. There were two ways of approaching that city, one from Alexandria, through the Delta, and the other from the Suez canal. There

[1] Report, p. 87.

[2] Lieutenant-Commander Goodrich (Report, p. 104) gives the following totals of the principal corps under General Wolseley's command: Infantry, 15,642 (officers and men); cavalry, 2,304; artillery, including siege trains, 2,435; engineers, 1,161; commissariat and transport corps, 1,298; army hospital corps, 313; army medical department, 429. The Indian contingent brought the total number of men up to about 35,000.

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were many objections to the former route. The Delta was intersected by a net-work of canals, dikes, ditches, and railways, all of which were in Arabi's hands and made the region easily defensible. In fact, the banks of the canals and dikes were natural fortifications as they stood. On the other hand, the way from Ismailia, the central station on the Suez canal, to Cairo, was along an unobstructed and single railway route. Then, too, the desert by the latter route was comparatively free from the pestilential diseases of the Delta. Owing to the Sweet Water canal, the question of water presented no difficulties. There was, however, an obstacle to the choice of Ismailia as a base of operations; but it was a purely moral one, and was easily overcome or rather disregarded. The Suez canal was supposed to be neutral water. Count Ferdinand de Lesseps, the president of the Suez canal company, assured Arabi, whom he met at Ismailia after the opening of hostilities, that England would so regard it, and thus prevented Arabi from establishing Egyptian fortifications along the canal. But England felt no obligation to recognize any neutrality. De Freycinet's scheme to enforce the neutrality had cost him his premiership, and there was little force in the orders and threats of the president of the canal company. England, therefore, consulted simply her own interests, acting upon the principle, which is doubtless sound, that "the neutrality of any canal joining the waters of the Atlantic and Pacific oceans will be maintained, if at all, by the nation which can place and keep the strongest ships at each extremity."[1] In other words, General Wolseley decided to enter Cairo by way of the Suez canal and Ismailia.

But he kept his plan a profound secret. Admiral Seymour alone knew his purpose. On the 18th of August, all the orders for an attack on Abûkir, where Arabi's force was concentrated, were issued, and concerning this plan rumors were purposely allowed to reach the newspaper correspondents. On the 19th, the transports moved eastward from Alexandria, as if to attack Abûkir; but under the cover of darkness that night, they were escorted on to Port Said, where they learned that the

[1] Stated thus in Goodrich's Report, p. 125.

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entire canal, owing to the preconcerted action of Admiral Seymour, was in the hands of the British. On the 21st, the troops met Sir Henry McPherson's Indian contingent at Ismailia. Two days were now consumed in rest and preparation. The Egyptians had cut off the water supply, which came from the Delta by the Sweet Water canal, by damming the canal. A sortie to secure possession of the dam was therefore deemed necessary, and was successfully made on the 24th. Further advances were made, and on the 26th, Kassassin, a station of some importance on the canal and railway, was occupied. Here the British force was obliged to delay for two weeks, while organizing a hospital and a transport service. This gave Arabi opportunity to concentrate his forces at Zagazig and Tel-el-Kebir. But he knew it was for his interest to strike at once before the British transports could come up with the advance. He therefore made two attempts, one on August 28, and the other on September 9, to regain the position lost at Kassassin. But he failed[1] in both, though inflicting some loss upon his opponents.

[1] Arabi could not recognize defeat. His despatches to the ministry of war at Cairo concerning the engagement of September 9, are, to say the least, amusing. In one he said (*vide* Goodrich's Report, p. 144): "At sunrise the enemy came out with infantry, cavalry, and artillery, and firing began, and continued on both sides for about an hour. Then the Arabs charged like lions, displaying a courage and bravery which enabled them to drive back the enemy, who were much more numerous than ourselves. Then they followed the enemy, driving them until they had killed about 100 of them [the British official report says two], and dispersed the rest, driving them back into their tents. The Arabs captured their oxen, about 500 meters of torpedo-wire, and other military stores, and then returned to their posts victorious. This engagement, including the attack and the pursuit, lasted about six hours. . . . Thanks be to God, not one of the Arabs nor of the soldiers was wounded. Give this news to those under your administration." Three days after, he sent another despatch, with a different statement as to casualties: "I give you good news, which will cause you joy, and will delight each individual of the people — namely, that the engagement of Saturday (9th of September) was the most serious battle that has yet taken place between us and the English; for the force of both armies was very great, and the fighting lasted for twelve hours, with impetuosity and daring, while the cannonade and the discharge of musketry were unceasing, pouring down like rain on the field of battle. Still we lost only thirty-one men, martyrized, and 150 were slightly, not dangerously, wounded, according to the official returns presented by the various regiments with great exactness and precision. It had been thought that our casualties would have been double that number, owing to the seriousness of the engagement and its long duration. Moreover, from true observation, it has been proved to us that the number of the enemy killed and remaining on the field of battle is about 2,500, and their carts were insufficient for carrying off the wounded," *etc.*

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On the 12th of September preparations were made by General Wolseley for a decisive battle. He had become convinced[1] from daily reconnoissance and from the view obtained in the engagement of September 9, that the fortifications at Tel-el-Kebir were both extensive and formidable. Against an enemy so strongly intrenched, and whose force consisted of about 38,000 men and fifty-nine siege-guns, it would have been folly to advance across an open desert; and it was therefore decided to make the approach under cover of darkness. All possible precautions were taken to guard against alarm. Bugle calls and fires were prohibited after nightfall, and strict silence was enjoined. The camp was struck as noiselessly as possible, and at 1.30 on the morning of the 13th General Wolseley gave the order for the advance, his force consisting of about 11,000 infantry, 2,000 cavalrymen, and sixty field-guns. They had only the stars to guide them, but so accurately was the movement conducted that the leading brigades of each division reached the enemy's outposts within two minutes of each other.

> The enemy [says General Wolseley] were completely surprised, and it was not until one or two of their advanced sentries fired their rifles that they realized our close proximity to their works. These were, however, very quickly lined with infantry, who opened a deafening musketry fire, and their guns came into action immediately. Our troops advanced steadily without firing a shot, in obedience to the orders they had received; and, when close to the works, went straight for them, charging with a ringing cheer.[2]

The intrenchments were not carried without a severe struggle. The Egyptians fought with a desperate courage, and hundreds of them were bayoneted at their posts. "More intelligence," declares Lieutenant-Commander Goodrich,[3] "and less downright cowardice in the upper grades might have converted these men into a formidable army." But what could the rank and file accomplish when "each officer knew that he would run, but hoped his *neighbor* would stay."[4] At the first shot Arabi

[1] *Vide* his official report of the battle of Tel-el-Kebir, dated Cairo, September 16, 1882.

[2] *Ibid.* [3] Goodrich's Report, p. 157. [4] *Ibid.*

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and his second in command took horse and galloped to Belbeis, where they caught a train for Cairo. Most of the other officers, as the reports of killed and wounded show, did the same.

The Egyptians fired their first shot at 4.55 A.M., and at 6.45 the English had possession of Arabi's headquarters and the canal bridge. The British loss was 57 killed, 380 wounded, and 22 missing. The Egyptian army left about 2,000 dead in the fortifications. There is no report of the number of the Egyptian wounded; but it probably was not proportionate to the number killed; for, if rumor is to be trusted, the wounded were not spared by the British sabre and bayonet. There was, however, some excuse for the alleged cruelty on the part of the attacking troops. An Egyptian, like the wild beast of the jungle, gets an added ferocity and desperation with each wound. "So many cases are authenticated," says Lieutenant-Commander Goodrich,[1] "of the virulence displayed by the Egyptian wounded, that it is demonstrated, beyond question, that many of these fellows not only shot at the stretchermen engaged in carrying off the injured, but, in some cases, actually killed the very Englishmen who had stopped to give them water or to bind their wounds." The same author makes the following observations upon the battle from a military point of view:

> In view of the decisiveness of the victory, comment appears unnecessary. It may be alleged that the mode of attack adopted was hazardous to the degree of imprudence; that no commander would dare to employ such tactics on European territory; that a night march of nine miles could only be followed by a properly disposed and immediate assault under circumstances so exceptional as to be providential. It must, however, be remembered that General Wolseley understood his enemy, knew his military habits and numbers, as well as the ground intervening; had a fairly good idea of his intrenchments, a just appreciation of his *morale*, a strong conviction as to the proper manner of engaging him, and confidence in the officers and men of his own command. What he would have done had the enemy been of a different character, is another question, whose consideration does not come within the province of this report. It seems a sufficient answer to such criticisms as are briefly referred to above, to remark that the means were adjusted to the end to

[1] *Ibid.*

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be reached, and that the justification (if any be needed) of the risks incurred lies in the success which attended them — a success as rare as it was complete.[1]

A proof of the completeness of the success was the entire dissipation of Arabi's army. Groups of soldiers, it is true, were scattered to different parts of Egypt; but the army organization was completely broken up with the battle of Tel-el-Kebir.

The movements that followed the decisive victory were promptly begun and most effectively executed. The best account is given in the words of General Wolseley's despatch of September 16:

> The enemy were pursued to Zagazig, twenty-five miles from our camp at Kassassin, by the Indian Contingent, the leading detachment of which reached that place, under Major-General Sir H. Macpherson, V. C., a little after 4 P.M., and by the cavalry division, under General Lowe, to Belbeis, which was occupied in the evening. Major-General Lowe was ordered to push on with all possible speed to Cairo, as I was most anxious to save that city from the fate which befell Alexandria in July last.
>
> These orders were ably carried out, General Lowe reaching the great barracks of Abbassieh, just outside of Cairo, at 4.45 P.M., on the 14th instant. The cavalry marched sixty-five miles in these two days. The garrison of about 10,000 men, summoned by Lieutenant-Colonel H. Stewart, assistant adjutant-general to the cavalry division, to surrender, laid down their arms, and our troops took possession of the citadel. A message was sent to Arabi Pasha through the prefect of the city, calling upon him to surrender forthwith, which he did unconditionally. He was accompanied by Tûlba Pasha, who was also one of the leading rebels in arms against the Khédive.
>
> The Guards, under his Royal Highness the Duke of Connaught, reached Cairo early on the 15th instant.

With an energy, as remarkable as it was praiseworthy, General Wolseley prevented the war ending with horrors[2] like those

[1] Goodrich's Report, p. 158.

[2] The death of the eminent oriental scholar, Professor Palmer, which occurred on August 12, 1882, was one of the horrible tragedies for which the Egyptian war was responsible. Justin McCarthy (England under Gladstone, ch. xiii.) makes the following reference to the loss the world sustained in his death: "Professor Edward Palmer was one of those rare men who possess what appears to be an almost incredible facility for learning languages. He was well-nigh the ideal scholar, devoted to learn-

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with which it began. Arabi's revenge was forestalled by that rapid desert journey. Before leaving England, Wolseley had predicted that he would enter Cairo on the 16th of September; but with still a day to spare the feat was accomplished, and Arabi's rebellion was completely crushed.

England now stood alone. Victory had been won without the aid of France or the intervention of Turkey. In Constantinople negotiations regarding Turkish expeditions were still pending when Lord Dufferin received the news of Wolseley's success, and announced to the Porte that there was now no need of a Turkish force in Egypt, as the war was ended. France at once prepared to resume her share in the control; but England, having borne the sole burden of the war, did not propose now to share the influence her success had given her. And it was for the interest of Egypt that she should not. As in the campaign just ended England had been able to achieve a quicker and more effectual success alone than would have been possible with a joint command of jealous powers, so now, peace having been restored, a single supervision and direction promised a steadfastness to the government that could not have been effected under a re-establishment of the joint control.

ing for learning's sake, yet never tainted by the faintest tinge of pedantry, pride, or affectation. The story of his life has been told by his close friend, attached admirer, and literary colleague, the well-known novelist, Mr. Walter Besant. It is a touching and thrilling record of marvellous accomplishments, of brilliant performance, of patient, determined struggle toward success, of success achieved, of honors won, of firm friendship, and a peaceful, happy home — and all ended by a sudden, terrible death in the Wady Sudr. In the summer of 1882, Professor Palmer agreed to go out for the Government to Egypt to prevent any alliance between Arabi and the Bedawin tribes of the desert. It seems strange that so precious a life should have been risked on such an errand, though Professor Palmer's knowledge of the languages of the East was proverbial. It is not very surprising that, when he and his party were captured by hostile Arabs, their doom should be death. It is certain that short work would have been made of any emissary from Arabi who was caught attempting to interfere with the relations existing between some English general, and, say, an Indian regiment. We shall, perhaps, never exactly know the story of the tragedy near Nakl. It is certain, however, that Palmer and his companions were captured through the treachery of the Sheikh Meter Sofieh, who was their guide, and that Palmer, Captain Gill, and Lieutenant Charrington were shot. Some thirteen of the Arabs of the tribe that killed Palmer and his companions were afterward captured, brought to trial, and five of them were hanged at Zagazig on February 28, 1883. The remains of Palmer, Gill, and Charrington were recovered, carried to England, and interred in St. Paul's Church."

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While there was a general agreement in England as to what other powers should not do, there was a wide difference of opinion as to the individual course to be pursued by the British government. Lord Derby, who became colonial secretary soon after the end of the war, was in favor of withdrawing from Egypt altogether, and leaving the country to "stew in her own juice"; but the judgment that declared that anarchy in Egypt would mean injury to the world prevailed. Egypt could not stand alone; and Anglo-Saxon support, with its civilized influences, was the best to be found.

England's first duty, after quiet was assured, was to send away all the British troops except a force of about 11,000 men, which it was deemed advisable to retain in Egypt until the khédive's authority was placed on a safe footing throughout the land. At the same time it was decided to reorganize the military establishment of Egypt, and Baker Pasha, an Englishman in the service of the sultan, was invited to superintend this work. The khédive summoned a new cabinet, giving the leadership to Sherif Pasha, as minister of foreign affairs.

What should be done with Arabi was the question of paramount interest, when once the khédive's authority was re-established and recognized. Tewfik and his ministers, if left to themselves, would unquestionably have taken his life; for in the Orient an unsuccessful revolutionist knows but one fate. But England was determined that Arabi should have a fair trial. To secure this, an irresistible pressure had been brought to bear upon Mr. Gladstone's government by the English press. It was decided that the rebel leaders should appear before a military tribunal, and they were given English counsel to plead their cause. The preliminary negotiations occupied several months, during which time Mr. Broadley and Mr. Napier, Arabi's counsel, became acquainted with the peculiarities of Egyptian legal procedure,[1] and Arabi wrote out his story of the rebellion.[2] The general tenor of his tale was to prove himself innocent of the

[1] A. M. Broadley, How We Defended Arabi and His Friends: A Story of Egypt and the Egyptians.

[2] Ahmed Arabi, Instructions to My Counsel, in *The Nineteenth Century*, October, 1882.

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charge of rebellion. He declared that Tewfik was the traitor; for the sultan, the real sovereign of Egypt, encouraged the resistance against England that the khédive did not dare show. If Arabi obeyed his sovereign, how could he be a rebel? He vauntingly wrote:

But the truth is, I am no "rebel." I led the nation in seeking the liberty of our country, and employed all honorable means to this end, respecting the laws, not thinking of self, as others say, but of the welfare of Egypt. I became commander of the troops appointed to defend the country in a lawful manner, and by the order of the Sultan, the Khédive, the Chamber, and with the sanction of the nation. As regards accusations of massacre and incendiarism, I laugh them to scorn.

Such were the words that Arabi wrote in October, when lying in prison in Cairo. If he had stood by them, he would have had the respect of all who had heard the cry of "Egypt for the Egyptians," and to many he would have posed as a hero and a martyr; but within two months he had acknowledged himself guilty of rebellion, and was cringing at the feet of England and all Englishmen.

The trial was a farce. Everything was "cut and dried" beforehand. It was arranged that Arabi was to plead guilty to rebellion, that he was forthwith to be condemned to death by the court, and that the khédive was immediately to commute the sentence to perpetual exile. In fact, the necessary papers were drawn up and signed before the court met for Arabi's trial on December 3. First, the following charge was read:[1]

Ahmed Arabi Pasha, you are charged before us, on the report of the Commission of Inquiry, with the offence of rebellion against his Highness the Khédive, and of thereby committing offences against Article 96[2] of the Ottoman Military and Article 59[3] of the Ottoman Penal Code. Are you guilty or not guilty?

[1] The documents and articles here given are quoted from Mr. Broadley's How We Defended Arabi, pp. 326, 332, 336, and 341.

[2] Art. 96. — All persons who to the number of eight or more revolt, using their arms, and refuse to disperse, or do not cease the revolt on receiving the orders of a superior authority, may be punished with death.

[3] Art. 59. — Whoever, without an order from the Government, or without a legal motive, shall assume the command of a division, a fortified place, or city, *etc.*, and

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Upon Arabi's saying that his counsel would answer for him, Mr. Broadley read the following:

Of my own free will, and by the advice of my counsel, I plead guilty to the charges now read over to me.

An adjournment of several hours was then taken, as a matter of form, we must believe, for the deliberations were all held in advance. Upon reassembling the clerk of the court read the following sentence:

Whereas Ahmed Arabi Pasha has admitted having committed the crime of rebellion in contravention of Article 96 of the Ottoman Military Code and Article 59 of the Ottoman Penal Code; and whereas, in face of this admission, the court has only to apply the articles already cited, which punish the crime of rebellion by the penalty of death; for these motives the court unanimously condemns Ahmed Arabi Pasha to death for the crime of rebellion against his Highness the Khédive by application of the said articles and orders. That the said judgment be submitted for the consideration of his Highness the Khédive.

But the judgment had already been submitted, so that the clerk was able to read the following decree from the khédive at once:

We, Mehemet Tewfik, Khédive of Egypt: Whereas Ahmed Arabi Pasha has been condemned to death by judgment of Court Martial of this day's date, by application of Articles 96 of the Military Code and 59 of the Penal Code, and whereas we desire, for reasons of our own, to exercise in reference to the said Ahmed Arabi Pasha the right of pardon which appertains to us exclusively, we have decreed and do decree as follows: The penalty of death pronounced against Ahmed Arabi is commuted to perpetual exile from Egypt and its dependencies. This pardon will be of no effect, and the said Ahmed Arabi will be liable to the penalty of death, if he enters Egypt or its dependencies. Our Ministers of the Interior, War, and Marine, are charged with the execution of this decree.

(Signed) MEHEMET TEWFIK.

Arabi was glad to escape with his life, if we may judge from his profuse thanks. He thanked Mr. Gladstone, Lord Granville, Lord Dufferin, Sir Edward Malet, Mr. Blunt, Mr. Broadley,

any commander who, without a legitimate motive, shall persist in keeping his troops under arms after their disbandment has been ordered by the Government, may be punished with death.

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Mr. Napier, the English people, the English press, and others to whom he felt specially grateful. It is not reported that the khédive was among the number. On the 26th of December Arabi and his six companions, Mahmûd Sami, Yakûb Sami, Mahmûd Fehmy, Tûlba Osmat, Ali Fehmy, and Abd-el-Al Hilmy, upon whom the same sentence had been passed, left Cairo for the Island of Ceylon, there to spend their life of perpetual exile.

All this while France had been chafing under the prospect of the abolition of the Dual Control. England had proposed in its stead a public debt commission, of which she offered the presidency to France, by way of a sop to appease any anger; but Premier Duclerc rejected the proposal. It therefore became necessary for Lord Granville to define the position of England in Egypt. This he did on January 25, 1883, in an identical note to the Powers. He recited that the Anglo-French control had not been the result of international agreement, but of tripartite understanding between England, France, and Egypt; and that, France having withdrawn from Egypt at the beginning of the war, England had to suppress the rebellion without assistance. She now purposed to keep an army of occupation in Egypt only so long as to secure the permanency of the re-established government. Lord Granville announced, further, that England would favor new regulations to provide for the future neutrality and inviolability of the Suez canal. He was careful to insert in his note that the protection of Egypt would be considered the only justification for the military occupation of the canal. He begged that the Powers would alter the capitulations so that foreigners in Egypt might be taxed, a plan, as we have seen, that is contemplated in every scheme of reform, but never carried out. He also suggested the prolongation of the mixed tribunals for another year.[1]

With regard to international matters in Egypt, Lord Granville announced that certain reforms in the army, in the police, and in political institutions had been undertaken.

[1] Their expiration had been fixed for 1881, but two yearly prolongations had already been added to the original term of five years.

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Reference has already been made to the appointment of Baker Pasha to supervise the reorganization of the Egyptian army. At the beginning of 1883 he was superseded by Sir Evelyn Wood, who undertook to introduce, so far as practicable, a discipline and treatment similar to those employed in the British army. Relieved from the supervision of the army Baker organized a police force of 4,000 men, which was divided into urban and rural constabulary and officered by Englishmen. The reform in political institutions was the work, largely, of Lord Dufferin. He had been sent from Constantinople to Cairo, early in November, with the special mission of bringing order out of governmental chaos. In two months he had prepared a scheme of legislative reorganization. This was, however, somewhat altered; so that it was not until May, 1883, that the plan in its improved form was accepted by the decree of the khédive.

The new constitution provided for three classes of assemblies: the "Legislative Council," the "General Assembly," and the "Provincial Councils," of which there were to be fourteen, one for each province. The legislative council was to consist of thirty members, fourteen of whom were to be nominated by the khédive, and sixteen of whom were to be elective. Of the latter, one would represent Cairo, another the towns of Alexandria, Damietta, Rosetta, Suez, Port Said, Ismailia, and El-Azich, and the remaining fourteen would represent each one a province. The elective members were to be chosen for terms of six years, and might be indefinitely re-elected. The council was to meet as often as once in two months. Its influence on legislation was to be so great, says Mr. Amos,[1] that "it is hardly conceivable that a law could be persisted in, in the face of a determined remonstrance of the legislative council." No law or decree of a legislative character could be promulgated unless the government had obtained the opinion of the council. If it should dissent from that opinion, the government must give its reasons. A special article provided that the budget

[1] Sheldon Amos, The New Egyptian Constitution, in *The Contemporary Review*, June, 1883.

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must be submitted and that the council might express its opinion and wishes on each section thereof. The reasons for dissent must be given as in other cases. The legislative council was to have, further, the right to discuss freely the condition of the country and to consider any needful legislative reforms, and to call for the drafting of measures, to be submitted to itself, which should serve as the basis of legislation.

The general assembly was to consist of eighty-four members: the eight ministers of state, the thirty members of the legislative counsel, and forty-six elected members. The latter were to be elected for terms of six years and, like the members of the legislative council, might be indefinitely re-elected. The assembly must meet as often as once in two years, and its functions were to be largely of a financial character. No new tax could be levied unless it should receive the vote of the assembly, and no public loan could be contracted unless the assembly should be consulted. The reasons of dissent on the part of the government must be given to the assembly, as to the legislative council.

The fourteen provincial councils were to consist each one of from four to eight members, and were to divide between them the representation of the six thousand villages in Egypt. Considerable legislative power in local government was to be given them, such as voting of extraordinary taxes for local improvement, which were to take effect merely upon the sanction of the government. Every Egyptian man, over twenty years of age, was to vote (by ballot) for an "elector-delegate" from the village in the neighborhood of which he lived, and the "electors-delegate" from all the villages in a province were to form the constituency that should elect the provincial council. The term and re-eligibility of the members of the provincial council were to be the same as those of members of the other two bodies, except that at the end of three years one-half of the provincial council was to be renewed by lot. The "electors-delegate" were also to elect directly the forty-six elective members of the general assembly; but they were to have no share in the election of members of

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the legislative council. Each provincial council was to elect from its own number one member of the legislative council.

Such, in brief, was the scheme that Lord Dufferin proposed and the khédive sanctioned. It was well received by many who thought that it promised a brilliant future for Egypt. The idea, however, of looking to the fellahîn of Egypt for the exercise of constitutional rights and duties strikes any one who is acquainted with their abject condition and disposition as almost absurd. It is well enough for the Westerner to import the ideas that have been the slow growth of centuries in the most highly civilized lands; they will have their influence; and yet it must always be borne in mind that the political idea is the fruit only of internal growth. Lord Dufferin framed the constitution; but he knew that the chiefest truth among his recommendations lay in the following paragraph:

> The chief requirement of Egypt is justice. A pure, cheap, and simple system of justice will prove more beneficial to the country than the largest constitutional privileges. The structure of society in the East is so simple that, provided the taxes are righteously assessed, it does not require much law-making to make the people happy.

The scheme for reorganization was carried forward to the extent of electing the "electors-delegate" in September; but by that time Egypt was again in a state of such disquietude that the British advisers of the khédive considered it unwise to put the new institutions into operation. In place of legislative council and general assembly, the khédive appointed a council of state, consisting of eleven Egyptians, two Armenians, and ten Europeans. The reforms were set aside for the time being in view of impending troubles and dangers in the Sûdan.

JOHN ELIOT BOWEN.

(To be concluded in the December number.)

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REVIEWS.

American Commonwealths. — Michigan: A History of Governments. By THOMAS MCINTYRE COOLEY. 1885. — 8vo, 376 pp. — *California: A Study of American Character.* By JOSIAH ROYCE, Assistant Professor of Philosophy in Harvard College. 1886. — 8vo, 513 pp. — Houghton, Mifflin & Co., Boston and New York.

The territory now included within the boundaries of Michigan has been subject successively to the governments of France, England, and the United States. Under the last named, it formed part of the great Northwest Territory and of Indiana Territory, before becoming the territory, and then the state, of Michigan. This varied career has induced Judge Cooley to call his contribution to the Commonwealth Series a history of governments. Professor Royce, in view of the peculiar circumstances attending the settlement of California by Americans, has sought to make his work a study of character. Neither author, however, has unduly neglected those phases of state history which are made subordinate. The chapter which Judge Cooley devotes to a broad outline sketch of the people of Michigan, in their general social aspects at the time the state was admitted to the Union, is one of the most enjoyable of his work. Nor, on the other hand, are the important political questions which arose in reference to California's conquest and admission passed by Professor Royce without careful examination.

The early history of both Michigan and California is largely concerned with that spirit of enterprise which found expression in the work of the pioneers. The Americans who settled in the Pacific state before its conquest from Mexico were animated by almost exactly the same motives that led to the settlement of Michigan. Yet a foreigner, reading the two books under discussion, would scarcely suspect that the two sets of immigrants came from the same source. The author who has devoted himself to the study of character has discovered that the Americans in California were, on the whole, a pretty poor lot, with little ambition in life beyond plundering the Spanish settlers of their land, and hoisting the American flag on every conceivable occasion. In Michigan, however, the pioneers appear more nearly as common tradition has represented them — a resolute, hard-working, much-enduring class, with an innate sagacity that would accomplish wonders in the foundation of a free commonwealth. Unless Professor Royce's fine critical instinct has

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misled him, the popular conception of the national character in the West will have to be thoroughly overhauled and repaired.

Individuals have fared no better than classes under the survey of the social philosopher. Fremont, Stockton, and the other celebrities of the conquest of California, are compelled to shoulder heavy responsibility for wrong-doing. It is true enough that the general course of the United States in dealing with Mexico and its coveted possessions was not especially creditable to a great and free republic. But doubt may reasonably exist as to the unmitigated brutality and injustice of every measure for the acquisition of the desired domain. Fremont's connection with the conquest has always been involved in more or less obscurity. The famous feat of Lieutenant Gillespie in seeking out Fremont in the wilderness and delivering certain despatches from Washington, has been the subject of endless controversy. Professor Royce has a solution for the mystery. He concludes that Fremont had no authority from the government to undertake the conquest of California. The administration was intent on securing the state by intrigue through Consul Larkin, down at Monterey. Fremont's action in overrunning the country was an unauthorized piece of barbarity, based only on the officer's personal ambition, stimulated by a longing for family glory on the part of his wife and her doughty sire, Senator Benton of Missouri. Commodore Stockton is represented by the amiable Professor as a pompous bully, and Kearny as a quarrelsome martinet. In fact, about the only characters in California's early history that come with any sort of credit through the critic's examination are the Spanish natives. They appear as a simple, harmless people, whose idyllic life is rudely interrupted by despicable interlopers from the United States. If only the excellence of the author's literary style were at all proportionate to the captiousness of his criticism, his book would easily take rank as a classic. An unfortunate devotion to disagreeable mannerisms, however, seems likely to render such a consummation doubtful.

Individual reputations in Judge Cooley's hands are much more fortunate than those treated by Professor Royce. It is dreadful to think what the latter would have done with the unlucky general who surrendered Detroit in 1812. The author of *Michigan*, however, weighs Hull's defence with judicial impartiality, and concludes that the administration at Washington was really about as much at fault as the unhappy commander. In assigning credit for the firm foundation of Michigan's greatness, Judge Cooley ascribes a very large share to Lewis Cass, who was territorial governor after the war of 1812. It seems scarcely possible that the Governor Cass of this book — the clear-sighted friend of popular rights, the persistent advocate of free public education, and the most conspicuous among the strong-headed founders of a great com-

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monwealth — is the same man who appears in von Holst's history as a shallow, second-rate politician, with no loftier motive for any public action than an ambition to be President, and no more honorable method of attaining his end than by shameless truckling to a bloodthirsty slavocracy.

Not the least interesting portions of Judge Cooley's book are those chapters in which he glances at the development of the central government, and the consequent modification of the relations in which it stood to the states. The veteran jurist puts on record his mature judgment as to the results of the system of interpretation applied to the constitution during the stress of war. Before now, in his edition of Story, published during the closing scenes of reconstruction, he has indicated an opinion that the positions assumed by the government practically overthrew the old constitution. In the present work he distinctly affirms this view, and points out that the Union into which Michigan was originally admitted is quite distinct from the Union in which she now abides. The eleventh and eighteenth chapters of *Michigan* will afford instructive reading for that school of constitutional law which maintains that the Union was preserved by virtue of the constitution, and not rather in spite of it. It remains to be said that the simple, lucid style of the writer gives an attractiveness to the narrative that, with the masterly arrangement of the subjects treated, puts the work in the front rank of the series.

WM. A. DUNNING.

The History of the Antislavery Cause in State and Nation. By the Rev. AUSTIN WILLEY. Portland, Brown Thurston, 1886. — 12mo, xii, 503 pp.

This book is one of those contributions to the history of the great contest against slavery in the United States which are the last services that the actors in those events are able to render the public. Like most of these publications, whatever their form or what the plan of their authors, this is essentially a *mémoire pour servir*, an addition to the material for a history not yet ready to be written. The author of this interesting and really valuable contribution to the literature of the subject has not at all times been able to keep in mind that the best work he could do was to state plainly what he had himself seen and known and what he could collect from personal or private sources, but in the main he has done so. Mr. Willey was an active worker in the anti-slavery agitation, editor of an abolitionist organ and in extensive communication with large numbers of similar agitators. What he has been

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able to tell us from these sources bears in the main the stamp of trustworthiness, and the historian will use his book. Mr. Willey makes on the whole an interesting story of the antislavery movement in Maine and elsewhere, letting us see among other things the variety of interests even in remote localities bound up with slavery in the South, the apathy of the people, the reluctance to meddling with the matter at the outset of the large majority of the clergy — a class to which at that time a movement largely moral and religious naturally looked for sympathy — and then the gradual awakening of the churches. It was a decisive step when the question was taken out of the domain of morals pure and simple and brought into politics. From 1840, when the first so-called "Liberty" or antislavery presidential ticket polled its 6,977 votes in twelve states, to the final political victory of the cause in 1860, was the period when the real battle was fought. The futility of mere agitation and moral suasion and the impossibility of getting either of the great political parties to do anything more than hold out empty inducements before election — an often repeated experience — brought opposition to slavery as a positive issue into politics.

The remarkable resemblance, in some respects, between these early years of antislavery politics and the present movement against alcohol with its constantly increasing political importance just now so apparent, cannot fail to strike the most casual reader and evidently does not escape the friends of prohibition. The professed student of political science should not be slower than the politicians to recognize the passing of any question from the realm of pure ethics to that of practical politics.

For the student of American politics and constitutional history, the fullest light on the slavery struggle, the most important factor in the development of the nation's history all through the century, is to be welcomed; and he will be glad of the publication of books like this of Mr. Willey's, which give him new material and put on record facts which would otherwise pass away with the present generation.

GEORGE H. BAKER.

Geschichte der deutschen Historiographie seit dem Auftreten des Humanismus. Von DR. FRANZ X. VON WEGELE. München, R. Oldenbourg, 1885. — 8vo, x, 1094 pp.

This work, published as the twentieth volume of the *History of the Sciences in Germany*, which is being issued under the auspices of the *Historische Kommission bei der Königlichen Akademie der Wissenschaften* at Munich, and which, like most of the valuable books pub-

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lished by that body, is ushered into the world after long expectation and much comment, is not unworthy of its sponsor.

In taking up the historiography and the historical literature of the German people from the sixteenth century on, it serves as a continuation, although in different form, of the historical bibliographies of Wattenbach and Lorenz, which cover respectively the periods from the earliest times down to the middle of the thirteenth century, and from then to the end of the fifteenth century. The work in hand deals with a much more difficult theme than that essayed by the last named writers. The actual mass and range of modern historical writing is far greater, its character and the elements and forces at work in its development are far more diversified, while as yet scholars have directed relatively much less critical and editorial labor to this field.

Wegele makes five periods in his work, of which the last deals with the present century and the founding of German historical science. That this most important and interesting period occupies less than a tenth of the whole book need not be too sharply criticised, when we recall the practical purpose of the book and the difficulty under which a contemporary labors in dealing with the literary products of his own time.

For the American readers this may be regretted, but the student of German history will find it appropriate. The work appears well done in the main, and it has met with a favorable reception from the profession at home. What in such a work specially merits our notice, is the existence in Germany of a living conception of the national history as a distinct whole, and of historical writing and historical science as a definite department of human knowledge, which could call for three such comprehensive and exhaustive bibliographical works as these of Wattenbach, Lorenz, and Wegele.

G. H. B.

Das Englische Parlament in tausendjährigen Wandelungen vom 9. bis zum Ende des 19. Jahrhundert. Von RUDOLF GNEIST. Berlin, Allgemeiner Verein für Deutsche Literatur, 1886.—8vo, 407 pp.

Seldom does it happen that a foreigner is able, in his treatment of the law of a country, to get behind those peculiarities which first strike the eye, and reach those principles which are of the greatest importance. Professor Gneist of Berlin is, however, a remarkable exception to this rule. When quite a young man, his attention was called to the stability of the English government as compared with the frequent constitutional changes on the continent. That he might find the cause he determined

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to make an exhaustive study of the English law. The results of his early investigations were published in 1857 in a small volume entitled *Geschichte und Gestalt der Aemter in England.* This work was elaborated, after running through several editions, into the work published in two volumes in 1883–84 entitled *Das Englische Verwaltungsrecht der Gegenwart.* In the meantime, Professor Gneist had published (in 1871) perhaps the most celebrated of all his works, *Self-Government, Communal-Verfassung, und Verwaltungsgerichte in England,* and in 1882 his *Englische Verfassungsgeschichte.* This last work was based on the results obtained from his former investigations, and in it the endeavor was made to give a complete constitutional history of England, special attention being paid to the self-government system of administration which is so characteristic of that country. As the object of Professor Gneist's studies was to explain the stable character of the English parliamentary government, all that remained to be done was to describe the constitution of the English Parliament, and note the changes which years of development had introduced. This is the purpose of the book now before us. *Das Englische Parlament* consists of nine essays on the English Parliament at different stages of its development. The descriptions therein given might, as the author says, be descriptions of the parliaments of different nations; and yet if the social conditions and administrative law of the English people are considered, it will be seen that there is a ruling principle running through the entire history. The Parliament has been the representative of the state over against the conflicting elements of society. It had, as Professor Gneist puts it, a consciousness of the needs of society as an entirety, and was not simply a representation of the different social elements. This is seen from the parties formed in the Parliament. These have been two, — the conservative and the liberal, — both representing equally society as an entirety, but differing in the philosophical views by which their attitude towards specific questions was determined. We find no such *social* parties as are seen on the continent. There the parties do not represent the entirety of society, but carry into their legislative actions the prejudices of the special social classes to which their members belong. This representation of the entire society of England, which is brought out so clearly by Professor Gneist, is, in his opinion, due to the fact that from the beginning of English history there has never been, until lately, a separation of the state and of society. England has never had, until lately, a class of professional officials representing the state alone, over against which stand individuals thinking simply of their own interests. On the contrary, the state has always been served by society. The servants of the state have been men chosen from society at large to do honorary compulsory service for their country. Society thus harnessed

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in to do the work of the state has lost, in a measure, its intense egoistic feeling, and has been made to feel as well a sense of responsibility as a desire to retain its existing rights and obtain new ones. Society, thus made to feel its duties, has then been brought into the great representative body of the people. Each member of the Parliament has felt that he represents not alone the social class to which he belongs, but also society at large. Parliament has been an assembly really representing the *communitas* of the nation.

But of late, all this has been changed. Too much attention has been given to rights; too little weight has been laid upon duties and responsibilities. The result is that the old self-government system has been abandoned. This has been especially true since 1834, when the present system of local government by boards was adopted. These attend to none of the routine duties of administration, but simply deliberate. All the real work is done by salaried officials, who are controlled by the Local Government Board at London, an organ of the state. Society thus loses its sense of responsibility, and the result in the Parliament is seen in the formation of small social parties, — like the Irish party, — whose aim is to get all the rights they can, while they seem to forget they owe any duties. The only means of preventing this degeneration of the Parliament from a representation of the *communitas* of the nation into a body of representatives of the different social interests, is a return to the old self-government system of administration.

Such in a general way is the doctrine taught in *Das Englische Parlament*, as, in fact, in all the other works of its author. The style is so clear and the book so well written that almost the only criticism that can be made is of the author's general theory. To many, this would seem somewhat artificial. The distinction between the state and society is difficult of comprehension, especially to an American; for with us there is no office-holding class apart from society at large to represent Professor Gneist's state; and it is very doubtful whether in any country the distinction is as clear as our author would make it. Again, the explanation of the stability of English parliamentary government may be nearer at hand. Parliament has, until quite lately, been the representative of certain classes only, and the absence of social parties in it may be due simply to this fact. The reason why new social parties are now springing up may be the widening of the suffrage just as much as the decline of local self-government.

However that may be, the book is very suggestive, and is well worth reading, as must be every production from the pen of the great Berlin jurist.

FRANK J. GOODNOW.

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Deutsche Geschichte im Neunzehnten Jahrhundert. Von HEINRICH VON TREITSCHKE. *Drittes Buch: Oesterreichs Herrschaft und Preussens Erstarken* (1819–1830). Leipzig, S. Hirzel, 1885. — 8vo, 778 pp.

It is the history of Germany under the *Bund* (1815–1866) that Treitschke is writing. Three volumes have now appeared; and, at the author's present rate of progress, it seems certain that at least as many more will be needed to complete the work.

The first volume is mainly introductory, ending with the Congress of Vienna and the formation of the *Bund.* In it the author reviews the history of Germany from the Thirty Years' War to the death of Frederic the Great, and describes the humiliation of Germany under Napoleon, the uprising of 1813, and the final overthrow of the Napoleonic empire at Waterloo. This introductory volume is written in the manner which Ranke has used so often and so effectively: the more remote history is given in broad outlines; the less remote with more detail; until, as the author approaches the period he has undertaken to describe, the narrative becomes so full and complete that the reader passes from the preface into the body of the history without noting the transition. The second volume, according to the original plan, should have covered the period from 1815 to 1830; but in fact it brings the history only to the year 1819; disproportionate space being allotted to the revolutionary societies formed among the German students and to the crime of Karl Sand. No such criticism can be passed upon the present volume. The readjustment of the Prussian finances[1] and the formation of the first customs unions[2] are events of cardinal importance; and the description of the political life (if it deserves the name) of the small German states,[3] and the political methods by which Metternich maintained the Austrian hegemony,[4] is absolutely necessary to the comprehension of the subsequent events. The account of each movement is clear and interesting, and each episode seems to find its proper place and space in the picture.

No reader of Treitschke's book can forget for a moment that the author's point of view is Prussian; but no one who knows Treitschke's career would expect him to treat German history in any other way. Although a Saxon by birth, and, in his earlier years, a Baden professor, Treitschke preached the unification of Germany under Prussia at a time when the triumph of the Prussian cause seemed far from assured, and when the support of that cause was far from popular. He is no vulgar

[1] Vol. iii., pp. 29–47, 68–98, *etc.*

[2] Vol. iii., pp. 453–485, 603–681.

[3] Vol. iii., pp. 47–67, 283–354, 486–586.

[4] See especially the amusing analysis of Metternich's State-papers, vol. iii., p. 153 ff.

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apologist of success; and no Austrian, even, should take it amiss that the cause which has pleased the gods pleases Treitschke too. At the same time it is not surprising that the Austrian archives are closed against him; nor does Treitschke himself appear to be surprised.[1]

Treitschke himself not only admits that he writes from the Prussian point of view, but maintains that the modern history of Germany must be so written.

> The present volume [he says] shows even more clearly than that which preceded it that the political history of the German confederation can be regarded only from the Prussian standpoint; for he alone who himself stands firm can pass judgment upon the change of things. The power of Prussia in our new empire was prepared a long way ahead by honest, silent labor; and for that reason it will last.[2]

The modern student of history, who looks more at institutions than at men, will agree with this conclusion. From the ordinary point of view Prussian history seems wanting in continuity. Prussia seems to have won its present place by a series of bounds; and the impulse which has advanced it seems in every case a personal one. A sagacious and war-like prince brings the state out of the confusion of the Thirty Years' War safe and even strengthened. A successor of greater ambition and less judgment wastes its resources in fighting other men's battles, and bears away no prize but an empty title; but the next Hohenzollern, the boorish, hard-headed, practical Frederic William I., happens to have an almost unexampled talent for internal organization, and more than retrieves the waste of his predecessor. Under his marvellous son, politic as the Great Elector and far greater in genius for war, ambitious as Frederic I., but wiser in his choice of ends, the accumulated resources of the land are poured forth with far-sighted extravagance; and Prussia becomes one of the great powers of Europe. Three great rulers in four generations bring Prussia from the third into the first class of states.

But the next three generations produced no ruler of the first order. No historian has a good word for the second Frederic William. The third was pure, honest, and patriotic; but even Treitschke cannot make him appear other than timid and narrow-minded. Frederic William IV. was brilliant but unpractical; he repeated Frederic the Great in wit and love of art, but he had not a particle of state-craft. If Prussia was a fortuitous creation of individual genius, why did it not disappear from the map of Europe during this period of political mediocrities? How did it win through the tremendous shocks of the Napoleonic wars? How did it emerge unweakened from the struggle between crown and

[1] Preface to vol. iii.

[2] *Ibid.*

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people? How came it that when at last an energetic ruler again ascended the throne, Prussia was ready to respond to his call and strong enough to realize all the dreams of Frederic II.?

These are the questions which Treitschke's book helps us to answer. His work, when completed, will cover the period of Prussia's three weakest kings. At first glance, the answer seems again to point to men rather than institutions as the cause of national greatness. The answer seems to be: Small masters, but great servants; Frederic William II. and III., but Stein and Humboldt and Hardenberg and Motz, Scharnhorst and Gneisenau and Blücher.

But what brought these men into the service of the Prussian state? Few of the great servants of the Prussian monarchy were born in its allegiance. What force was it that drew men from Denmark and Mecklenburg and Hesse and a dozen other little states to "travailler pour le roi de Prusse"? Again, what made their services so extraordinarily effective? There were men of equal genius in the service of the smaller states, contemporaries of the great Prussian statesmen and soldiers, who accomplished so little that their names are known only to the student.

It was not only that Prussia, as the second of the German states, offered men of ambition a broader field and a greater career; it was also, as Treitschke points out, that Prussia was pre-eminently *the* German state. Its rulers had no outside interests, foreign to those of Germany, like Austria and Saxony and Hanover; and its policy, however menacing to the petty German crowns, never ran counter to the interests of the German people. It therefore drew to its service not simply the most ambitious, but the broadest-minded and most patriotic Germans. It was not personal ambition that brought the Freiherr von Stein to Berlin.

Again, what made these men's works so effective was the strength and soundness of the Prussian institutions. Scharnhorst's great conception of the popular army could not have been realized except in a society disciplined from top to bottom to the service of the state. Stein's local self-government would have crippled a state less firmly welded together. Imagine his system introduced into the feudal complex of the Hapsburg territories! In Prussia, where the earlier kings had established a strong central control, Stein's reforms strengthened the body politic by making it more supple. And, to take but one more example, Motz, the creator of the Zollverein, to whom Treitschke is the first to render full justice, — Motz could never have realized his Bismarckian[1] policy had the administrative system created by Frederic William I. been a jot less sound and strong.

[1] See especially vol. iii., pp. 661–681.

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A still more striking illustration of the relative force of institutions and of men is the complete failure of the feudal party, led by the romantic crown prince (afterwards Frederic William IV.), to undo the work of the seventeenth and eighteenth centuries and to re-establish the provincial estates[1] which the Great Elector and his successors had crushed. The death of Hardenberg left the reactionary party apparently all-powerful, but their efforts came to nothing. The Prussian king who declared that he would "establish his state like a rock of bronze" had made good his boast.

MUNROE SMITH.

Lehrbuch des deutschen Staatsrechts. Von Dr. HERMANN SCHULTZE, grossherzoglich badischem geh. Rathe und königlich preussischem geh. Justizrathe, ordentlichem Professor des Staatsrechts an der Universität Heidelberg. *Buch I. Das deutsche Landesstaatsrecht. Buch II. Das deutsche Reichsstaatsrecht.* Leipzig, Breitkopf & Härtel, 1881–86. — 1007 pp.

The Law and Custom of the Constitution. By SIR WILLIAM R. ANSON, Bart., D.C.L., of the Inner Temple, Barrister at Law, and Warden of All-Souls College, Oxford. *Vol. I. Law and Custom of Parliament.* Clarendon Press, Oxford, 1886. — 336 pp.

Le droit public de la Belgique. Par A. GIRON, conseiller à la Cour d'Appel et professeur à l'Université de Bruxelles. Bruxelles, A. Manceaux, 1884. — 536 pp.

Études de droit constitutionnel. Par E. BOUTMY, membre de l'Institut et directeur de l'École libre des sciences politiques. Paris, E. Plon, Nourrit et C^ie., 1885. — 272 pp.

The past two years have been rich, to a degree somewhat extraordinary, in treatises upon the different branches of public law. The constitutional and administrative law of the states of Europe, which formerly presented to the student a tangled mass of custom, edict and statute, has now been largely systematized and has become easily accessible. It is my purpose, in this review, to draw attention to several of the most recent and, in my view, most valuable contributions.

First, in the order of merit and importance, stands the work of Dr. Hermann Schultze, Professor of Public Law in the University at Heidelberg, upon the Public Law of Germany, both of the individual states and of the empire. Of the two volumes, the first — *das deutsche Landes-*

[1] Vol. iii., pp. 226–253, 361–390.

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staatsrecht — contains the learned author's theory of the state, the historical development of the German state, and the comparative constitutional and administrative law of the twenty-five states within the empire. The second — *das deutsche Reichstaatsrecht* — is a commentary upon the imperial constitution and administrative practice. The two are indissolubly connected, and the latter cannot be understood without previous and careful study of the former. The whole is a most timely work. Ours is a period in which abstract ideas of the state and of man are beginning to exert again the sway held by them in 1789, 1830, and 1848. It is well that, at such a time, a great publicist, such as Professor Schultze, should challenge our idealism and call us back to history and to present fact. He does not hesitate to denounce the theory of atomistic popular sovereignty as error, and to present the state — the political people in organization, no matter how small a proportion of the population that may be — as the true and actual and only legitimate sovereignty. (Book I, pages 23, 24.) Evidently he does not believe that all men are equal politically, even if civilly, and regards such a declaration as an abstraction which has never yet become a reality — which has hardly approached it. The subject of his work is a monarchic state; and he is not, in the faintest degree, an apologist when considering its legitimacy in principle as well as in fact. His view is simply that the course of Germanic history has brought forward such and such personages, families and organizations as the bearers of the state and tested their legitimacy, and therefore that they, and they alone, are legitimately sovereign, and should remain so until such social transformations occur as shall make it manifest that the virtue and capacity of the state have passed into other hands. History and present fact show that men are unequal in intelligence, virtue, energy, and self-control, and the best should count for far more in the exercise of political power than the worst.

He defines the monarchy as the form of state (not simply government) in which a single physical person appears as the head of the political organization, and is the bearer or organ of the state power by own and independent right. (Book I, page 34.) It is difficult to comprehend from this definition how there can be any such thing as a constitutional monarchy, or even a limited monarchy in any other sense than self-limited; and the author does not help one accustomed to the categoricals of a popular philosophy out of the difficulty by his dictum (on page 186), that the monarch can be constitutionally limited, but never legally compelled, and must therefore possess the absolute veto power. Such an one will be apt to reason that if the power of the state resides in the monarch by own and independent right, then every attempt to limit him in any manner, save by his own consent, must take

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on the form of compulsion; which according to the same definition, cannot be attempted against him. It follows, therefore, that the constitutional limitations which may be legally imposed are but self-limitations. The constitution of a monarchic state is, in this view, a royal charter, which, unless it contain stipulations to the contrary, may be revoked in whole or in part by the monarch who grants it. A constituent assembly may draft a plan if the monarch permits, but it becomes a constitution only by his adoption and promulgation. This is hardly the process of constitutional development to which American thought is accustomed, and yet it is the very process through which the German states have become constitutionalized. We on this side of the Atlantic are apt to forget that there is any other way to reach a constitutional system than through revolution and the overthrow of all the powers of the past. When we reflect, however, one moment upon what I think candid and informed minds will agree about in regard to the German system, *viz.*, that under no political forms which have yet been devised do genius and capacity meet with more sure recognition and reward, or exercise a juster influence upon political civilization, we shall be somewhat better prepared to understand that constitutionalizing from above down may, in some respects, have advantages over the opposite process. Naturally, in the course of such a process, the monarch will appear, for a long time at least, as the chief institution of the state. Dr. Schultze assigns him this position in the constitutional system of the German states at this present epoch of their progress. He is careful to reserve the domain of judicial administration from the monarch's prerogative, and to represent the independent judiciary as the principal guaranty of private rights (pages 537 ff.), but the German legislatures still appear as much like councils as independent law-making bodies (pages 515 ff.).

In his second volume Professor Schultze proceeds from the standpoint taken upon pages 168 ff. of the first, *viz.*, that the genesis of the new imperial constitution was through compact between the princely heads of the several states united under it, and declares that the two things necessary to a clear comprehension of the peculiarities of the imperial system are a correct appreciation of the character of the *Bundesrath* and of the exceptional position of the Prussian state within the Union. (Book II., page 5.) The Bundesrath is composed of the representatives of the princes who by compact formed the Union, and the king of Prussia must always be the emperor. The constitution confers upon the emperor and the Bundesrath the whole power of the imperial state; *i.e.*, the independent bearers of the state power in the several states are, in union, the bearers of the power of the imperial state. (Book II., pages 29, 30, 47, 48.) The Bundesrath is thus not simply an upper house of the legislature nor the highest admin-

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istrative council of the emperor nor both, but, with the emperor, bearer of the sovereignty. In this respect it is most widely distinguished from the *Reichstag*. The latter is but the lower house of the legislature and does not participate in the sovereign power, and its function is to influence the emperor and Bundesrath to rule in accordance with the national spirit. It represents the idea of national unity, but the actual sovereignty is in the emperor and Bundesrath. (Page 73.) Professor Schultze manifests the same anxiety to separate the judicial from the administrative power in the imperial as in the state systems; and there are no more interesting or instructive chapters in his entire treatise than the second and third of the second part of the second volume, in which the relation of "Justiz und Verwaltung" are discussed. It is easy to see that we have here a political system in which the balance of power, to say the least, rests with the executive and in the hands of princely houses by hereditary right. It has not much of what goes here for democracy in it. It places the initiative in the hands of those accustomed to the business of government; but where the people really disagree with the measures of the government, it furnishes them in the Reichstag with an organ of resistance which is entirely effective. It is the system to which Germany has come after centuries of hard experience. It is neither absolute nor popular, but it combines power and liberty in those proportions best calculated to preserve national integrity and individual freedom under such conditions and with such surroundings as at present exist in and about the German state.

Of much the same character as the work of Schultze is the book of Sir William R. Anson upon the *Law and Custom of the Constitution*. It promises to be a work of two volumes, the first of which only has as yet appeared, *viz.*, the *Law and Custom of Parliament*. It is rather difficult to understand why, with the general views of the English system entertained by Sir William, he did not treat first of the crown. He does not appear to have been influenced any more than Dr. Schultze by the abstractions of Rousseau. He contemplates the English constitution in a very jejune and objective way. It would seem that such a mind would view the genesis of the English institutions from the standpoint of the crown. Probably the fact that the Parliament is at this moment the central point of the state, has influenced the learned commentator, who announces his principal purpose to be the stating of present facts, to deal with the Parliament first. He distinctly states in his preface that he will not follow the manner of Professor Dicey in his recent admirable work upon the *Law of the Constitution*, which presents those salient features of the English system which distinguish it from other systems, but that he writes for the lawyer and the man of practical detail, who desires first to know an institution in all its parts and relations as it *is*,

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and only subsequently to trace its history, forecast its future, generalize its philosophy, and contrast its principles with their correspondents in other systems, if time and opportunity permit. He does not express himself very distinctly, therefore, upon what we may term the political science of the English constitution. From the little which he does say, however, we readily conclude that he does not hold the theory that the sovereignty of the British state resides in the House of Commons. On the other hand he declares distinctly that the Crown and the Lords are still potent elements in the constitution of the sovereignty, and demonstrates that the question of the sovereignty is not one which may be regarded as settled at any time for all time, but is ever suffering a new solution, a new adjustment to changing conditions. (Chapter i., pages 1–11.) After a very brief historical outline in the second chapter, and some general remarks upon the characteristics of the constitution in the third, the distinguished author proceeds directly to the analysis of the details of the constitution, from the writs of summons to attend the Parliament to the prorogation or dissolution of the body. There is no book in my knowledge which deals so exhaustively and yet so concisely with the subject here treated. Of especial value to the student of law and political science is the second section of chapter v., which presents with great distinctness and exactness, and yet with admirable brevity and point, the existing law of suffrage and distribution of seats. It is almost an impossibility for the average foreign student to collect the statutes and customs for himself upon these subjects, and Sir William has rendered a great service to all such by his thorough and masterly digest and comment upon this portion of the law.

Greatly differing in tone and method from these two highly practical works is the treatise of Professor Giron upon the *Public Law of Belgium*. The revolution of 1830 made clean sweep of the historical foundations of the Belgian institutions and left only the people in constituent assembly as sole and undisputed sovereign. The author gives, indeed, a most valuable *précis* of the political history of Belgium down to 1830, but it is from this latter point that he views the present public law of the Belgian state. He first develops the principle of the ultimate sovereignty of the people in constituent assembly as the foundation of the whole system, and does not hesitate to declare the powers of the king as well as those of the legislature to be delegated and secondary. (Pages 89–95.) He takes special pains to demonstrate the subordination of the church to the sovereignty of the people (pages 91, 92), and to show that the *régime* of the concordat has ceased in Belgium. These are principles with which American thought is wholly in sympathy and they make the comprehension of everything further comparatively easy. The institutions established by the sovereign power are: (1) A legisla-

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ture, consisting of a chamber of representatives and a senate, the members of both of which bodies are elected by the direct vote of Belgian citizens, of the male sex, 21 years of age, in possession of their civil rights, and paying a direct tax of 20 florins. (Pages 96–113.) (2) An executive consisting of the king, who holds first by election but transmits the crown to his descendants according to the principle of primogeniture in the male line, and a ministry appointed and dismissed by the king at pleasure and responsible for the king's acts. The author declares it to be a fixed principle of the constitution that the king has no other powers than those conferred upon him by this instrument, while the legislature has all powers not denied to it thereby. The principal powers thus conferred are those of diplomatic representation, appointment and dismissal of officials, vetoing the acts of the legislature and dissolving it, and, of course, executing the laws. (Pages 114–128.) (3) A judiciary, composed of judges appointed for life and removable against their own consent only by a judicial sentence. This constitution does not, however, vest the courts with the power to decide upon the constitutionality of any laws promulgated by the legislative power established by the constitution. (Pages 129–158.) One of the peculiar features of the Belgian constitution is the fact that it defends the provincial and communal establishments against the power of the legislature by providing for their existence in the constitution itself. It constitutionalizes the municipalities through the establishment of the *conseils provinciaux* and the *conseils communals* and the general designation of their powers. Local self-government is thus a constitutional right of the municipalities in the Belgian state, and not simply a charter of privileges from the legislature. (Pages 159-167.) Finally, the constitution guarantees civil liberty to the individual in about the fulness enjoyed under our own system. (Pages 355-476.) The learned commentator presents us thus, in his construction of the public law based upon this constitution, a system which is neither English nor American nor French nor German, but which contains elements drawn from each of the four. It has the French and American idea in regard to the constituent assembly and its relation to the government which it creates; the German idea in reference to the tenure of the executive; the American idea in regard to the constitutional independence of the judiciary; the English idea, in some degree, concerning the relation of the executive to the legislature, while the constitution of the senate is unique and peculiar in a national state, as well as the independent position of the municipalities.

For a reason not very apparent Professor Giron has inserted, between his description of the structure of the government and his statement of the guarantees of civil liberty, a most admirable *résumé* of the

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history of the Roman church: *Origine et progrès de la puissance ecclesiastique et constitution de l'église catholique.* (Pages 185–357.) The Belgian constitution contains the provision in article 14: "La liberté des cultes, celle de leur exercise public, ainsi que la liberté de manifester ses opinions en toute matière sont guaranties;" and the professor himself says (on page 6) that "l'État belge a, en principe, abdiqué la direction religieuse, morale et intellectuelle de la societé et qu'il borne sa mission essentielle a la réalisation du droit proprement dit." Strictly speaking, it would seem, therefore, that he has wandered somewhat from his subject in dealing with the canon law of the Roman church as a part of the public law of the Belgian state. The influences of history and existing customs evidently triumphed over the strictness of political logic upon this point, but the wealth of information contained in this most clear and concise presentation will reconcile the reader quite readily to this apparent violation of logical pertinency.

The comparative method of treating law, public and private, is a recent development, especially in France. The consciousness of superiority has, until the late triumph of German over French arms, prevented Frenchmen from regarding foreign institutions with sufficient esteem to suffer any comparison between them and their own. It is the harbinger of a sounder period in French literature that the French scholars have begun to look about them and seek lessons in the experience of other peoples. The little work of Professor Boutmy, entitled *Études de droit constitutionnel,* is a very admirable comparison of the sources and spirit of the constitutional law of France, England, and the United States. His chief point and purpose seem to be to show that the greater part of the constitutional law of England, and a very large part of that of the United States, rest upon unwritten custom, while that of France is wholly written. He attributes this fact, as it appears to him, to differences in national "*métaphysique*" — practical common sense distinguishing the mental methods of the Englishman and American, while a minute and elaborate logic dominates the processes of French thought. The English and Americans solve their questions as they come to them, build their structure as they require it, and are content with a system which is incomplete and loosely fitting. The French, on the other hand, must have logical perfection and completeness, and exhaustive deduction of every detail. The English and Americans construct their general systems upon the foundation of their local institutions, and recognize to the latter a continuing anatomy and variety of form. The French, on the other hand again, regard nothing but the nation and the individual, and stamp whatever comes between with the character of a national agent. It seems to me that the learned author has somewhat exaggerated the influence of the local institutions of both England and the United

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States. He certainly has fixed the position of the commonwealth in the American system too high. He treats the public law of the United States as it was before the thirteenth, fourteenth, and fifteenth amendments to the national constitution, and does not seem to recognize that an immense change has been wrought in our system by these most cardinal and highly directive principles. It seems to me, also, that he is somewhat inaccurate when he declares that the public law of France is a logically thought out and fully written down system, while that of the United States, in contrast, consists largely of unwritten custom. The written constitutions of the United States and of the several states are much more complete instruments than the written constitution of France. The latter contains only provisions constructing some of the organs of government and a law of elections. It establishes no judiciary and includes no bill of rights. And we would query in what *written* provision of the French law, constitutional or statutory, does M. Boutmy find the principle, now so clearly recognized in the French practice, that the ministry must be in political accord with the majority in the *chambre des deputés?* The last two pages of the book contain a genuine surprise to the American reader. The favor, and even enthusiasm, with which the author has appeared to regard English and American institutions naturally suggest the idea that they are offered to the French public as examples for, at least, partial imitation. The concluding declaration, on the contrary, that the English and American systems are daily approaching, and must finally entirely coincide with, the French, and that the difference between them is, after all, only the difference between foremost and hindmost in the race of political civilization, is rather calculated to take the breath out of a Saxon and make him speculate a little more vigorously upon the end of all things than is his wont.

JOHN W. BURGESS.

Popular Government. Four Essays by Sir HENRY SUMNER MAINE, K.C.S.I., LL.D., F.R.S. New York, Henry Holt & Co., 1886. — Large 8vo, xii, 261 pp.

Maine profoundly distrusts democracy. He believes it to be of all forms of government the most difficult, the most unstable, and that which is most perilous to the integrity of the state. He is intensely pessimistic in his view of English political life, because English politics, in his opinion, are tending toward complete and unchecked democracy. He praises the constitution of the United States, of which he treats in the *Fourth Essay*, because it is not democratic; because in our presidency we have reproduced the kingship of George III.; because our Senate is frankly based upon the principle of inequality; and because

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the constitution itself is placed beyond the reach of the legislature and almost beyond the reach of the people — its amendment being so difficult as to be almost impossible. The sagacity of its framers, he says, "may well fill the Englishmen who now live *in fæce Romuli* with wonder and envy."

That democracy is the most difficult and unstable form of government he regards as proven by history. The government of the United States has been strong and stable as compared with other popular governments, but even the United States has had but a short history in comparison with the Roman and Venetian oligarchies or with the Roman empire or the French monarchy. And the government of the United States, although popular, is not democratic.

That democracy is perilous to the integrity of the state, Maine suggests rather than affirms.

> In all war and all diplomacy, in every part of foreign policy, caprice, wilfulness, loss of self-command, timidity, temerity, inconsistency, indecency, and coarseness, are weaknesses which rise to the level of destructive vices; and if Democracy is more liable to them than are other forms of government, it is to that extent inferior to them. [Page 62.]

Perhaps the most suggestive line of thought in the book is found in a series of scattered passages referring to the probable tendency of democracy to disturb the economic organization of society. That the advent of democracy is expected to better in some way the condition of the *demos* he shows by a quotation from Labouchere (pages 43, 44) — and might have shown equally well by a quotation from Jack Cade. Demagogues have always promised the people that the pint pot shall hold a quart. Now, Maine argues, if wealth is constantly perishing and being re-created, and if the maintenance of existence on the lowest possible average level demands constant labor, what will be the result of prophesying socialistic utopias to the workingmen? If entire communities may be brought through penury to starvation by extinguishing the hope of the laborer, may not the incentive to labor be removed with equally fatal results by awakening false hopes? [Pages 44–50.]

In another part of the book Maine finds another reason for his forecast of social disturbance. Popular government has never been carried on except by party machinery. Party machinery has never been kept in operation without hope of tangible reward. Legislation is steadily narrowing the possibilities of corruption; it is taking the offices out of politics. What will take the place of the offices? What new spoils can be offered the victors? Maine thinks that the oil necessary "to lubricate the wheels of the machine . . . may consist in . . . legislating away the property of one class and transferring it to another." [Page 106.]

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That such socialistic tendencies have not shown themselves in the United States is ascribed by the author to the "boundless, unexhausted wealth" of our country. And Maine finds great safety for us, in the future, in our constitutional provisions prohibiting legislation "impairing the obligation of contracts," and in the Dartmouth College case. [Pages 246 ff.] The author does not seem to be aware of the extent to which the doctrine of that case has been modified in later decisions; nor, in declaring it to be the basis of the credit of American railroads, does he seem to know that the rights of the people are now regularly reserved in all grants of charters.

The book has naturally made much stir both in England and the United States. It challenges notice, of course, by the attitude taken, and by the somewhat paradoxical way in which the author states his conclusions; but it also compels attention by the force of its arguments, the clearness of their formulation, and the wealth of happy illustration. These are qualities with which readers of Maine's other books are familiar; but this book ought to reach a wider public than *Ancient Law* or *Village Communities*.

MUNROE SMITH.

The Financial History of the United States from 1861 *to* 1885. By ALBERT S. BOLLES. New York, D. Appleton & Co., 1886. — xi, 585 pp.

The publication of this bulky volume practically ends Mr. Bolles' work, though he announces a further volume of statistical matter. It cannot be said that in his third volume he shows any improvement in the manner of dealing with his subject, as he still retains an arrangement that is faulty and confusing. The division of chapters appears to be haphazard, and involves going over the same period again and again. For example, in the earlier part of the work the suspension of specie payments and the issue of legal tender notes (1860–61) are treated; then follow chapters bringing the history of the Treasury down to 1865, when another section tells of the effects of issuing legal tender notes and the suspension. This is all very well, but on turning to the next chapter the reader is made to go back to the beginning. Loans and issues are apparently laid aside when chapters on taxation and the growth of the debt occur. Even this is not all; for after an account of the national banking system we are told of appropriations and expenditures during the war, and finally of the cost of the war. In the second part of the work, describing *post bellum* finance, this arrangement, or lack of arrangement, is even more absurd and bewildering, forming one of the

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weakest points in Mr. Bolles' history. With a commendable industry and a certain acquaintance with economic laws, he does not weave his materials into a connected and continuous story, but deals with them in sections, no section apparently having any connection, immediate or remote, either with what has gone before or with what succeeds. The "history" is rather a series of separate and distinct essays; the connecting links, so necessary to a proper understanding of the subject, are wholly wanting. The result is that Mr. Bolles' book would convey to the beginner no definite idea of the financial movement during the period he covers, and is most confusing even to one who is familiar with the subject.

This collection of isolated facts, for such Mr. Bolles makes them, involves another fault — a distorted perspective. Due importance is not given to weighty influences, while the force of other factors is unduly magnified. The details of administration are not only unimportant but uninteresting; yet these are the points on which Mr. Bolles dwells longest. Had the same space been devoted to some mention of political influences which were closely connected with, and which often seriously modified, financial legislation, the result would have been of advantage. How often has a policy been imposed upon the government which has been mischievous and dangerous, and imposed contrary to the expressed will of the community? The inflation movement, the protective policy, the legal tender decisions, and the silver legislation are inadequately treated by the author, while such questions as are involved in the loan of government credit to the Pacific roads, and the miserable pension folly are not even mentioned. The Sanborn and Jayne scandals, the whiskey and other frauds connected with the revenue system, possess greater interest for Mr. Bolles than other and more important matters of government policy.

It is somewhat difficult to select a fair example of Mr. Bolles' shortcomings, as there is hardly an incident in his book that does not lack that connection with other factors which can alone give it its true weight and influence. Take the chapter on the resumption of specie payments: as it stands one would be justified in saying that it was by act of Congress that a specie basis was attained. Nothing could be less true; it was the favorable conditions existing in 1878 that made resumption possible, and without them Congress might have resolved to the end of time without producing any result. Yet Mr. Bolles omits entirely the rise of these favorable conditions of trade, industry and economic welfare, and skims over a few of the incidents occuring in Congress during the period. But for General Grant's veto of the inflation bill, it is only too probable that the day of resumption would have been indefinitely postponed. None the less would resumption have occurred through a

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disappearance of the premium on gold. The same conditions which permitted a specie basis also allowed of the rapid extinguishment of the debt and the refunding of bonds falling due. Yet Mr. Bolles deals with these as isolated circumstances, and in such form that only a reader already familiar with the course of financial events succeeding the war could conceive of any connection and interdependence.

In short, it must be confessed that Mr. Bolles has missed his opportunity. He deals with his subject in the dry spirit of an annalist, and not as a historian. Faulty as were his earlier volumes, his omissions are magnified in this last. It is true the difficulties are greater, as no period in the history of the country is more replete with great political, economic and social movements, and to the economist no part of our national life is so instructive as that covered by the years of war and reconstruction. The vast financial operations of the war introduced a new factor in the national economy: paper inflation; inordinate, interested and hastily imposed tax laws; and an enormous drain upon the resources of the country, have introduced factors that have produced changes equivalent to revolutions in more lines than one. The period of recuperation was accompanied by changes as great. The regulation of the currency, the management of the public debt, the repeated attempts to control and limit taxation, and the struggle against inflation and debased currencies, are matters which have shaken the social structure to its very basis, influencing constitutional as well as economic practices, and leaving ineffaceable impress on the public and private lives of the people. All this Mr. Bolles has passed over, and, never away from the Treasury reports and the halls of Congress, he sees nothing of the national forces of which the facts he adduces are merely a faint reflection.

WORTHINGTON C. FORD.

Die nordamerikanischen Gewerkschaften unter dem Einfluss der fortschreitenden Productionstechnik. Von A. SARTORIUS, Freiherr von Waltershausen. Berlin, Hermann Bahr, 1886. — Large 8vo, xv, 352 pp.

Notwithstanding the versatility of continental economists, no attention at all had, until very recently, been paid to the labor problem in the United States. With the exception of the meritorious work of Studnitz, *Nordamerikanische Arbeiterverhältnisse*, the present book of Professor Sartorius is the first detailed investigation into the history and methods of American trades-unions and other labor organizations. It may be termed a fairly successful presentation of the subject, when we

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regard the wellnigh insuperable difficulties which the collection of material presents for a foreigner.

The book is composed partly of essays which have appeared during the past few years in Conrad's *Jahrbücher*, but mainly of new matter. The historical part (pages 1–86) cannot be considered by any means exhaustive. It is true that a few pages are devoted to the American craft-guilds, but the portrayal of the colonial conditions is quite fragmentary. The first half of this century is passed over with equally scant courtesy, and the history practically begins with the National Labor Union and its leader, William H. Sylvis, whose life and speeches are known to all students of the labor question. A chapter is also devoted to the ten and eight hour movement from 1825–1886.

More satisfactory are the second and third parts. Part 2 (pages 87–187) treats of the trades-unions proper, and the development of the various federations, assemblies, and orders that have grown up by their side. Professor Sartorius correctly points out the obstacles in the way of our trades-unions, *viz.*, the conflicts of race and nationality, the essential instability of occupation, the peculiarly great development of the division of labor. The conclusion he draws is that "the trades-unions must disappear and be replaced by larger associations, if the laborers wish to maintain their freedom" (page 133) — a conviction evidently forced upon him by the history of the past ten years. He distinguishes four species of such larger associations: (1) Local combinations of all trades, like the trades and labor assemblies or unions in our large cities. (2) Local combinations of different trades-unions whose members, however, are occupied upon various stages in the preparation of the same commodity; so, for instance, the various steps in the cigar trade, or in the cotton industry in the South (the so-called "rings"). (3) National (or international) organizations, like the international labor union, which comprised many trades-unions. (4) Combinations of all laborers, irrespective of trades-unions, like the Knights of Labor, of which an interesting sketch is given. The Knights of Labor are declared to be the most promising step yet made, but their political influence seems to me to be somewhat exaggerated. (Pages 182, 338.)

Part 3 (pages 191–293) is by all means the most valuable. It deals with strikes, boycotts, and the attempts at peaceful settlements of labor disputes. A history and statistics of the strikes of the past few years are attempted, and although necessarily incomplete, yet contain much useful matter. The American reader may of course find much of this in the reports of our various bureaux of labor statistics. Special attention is devoted to the Molly Maguires, the Tuscarara valley and the Western Union telegraphers' strikes, and a careful analysis of the trades-union statutes is given. Although no friend of the boycotts, whose economic

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effects are analyzed, Professor Sartorius does not think that they should be legally prohibited — not only because such a prohibition would be virtually inoperative against secret boycotting, but also because it would add hatred of the state to the present hatred of the capitalist, and would soon result in a still more dangerous method of warfare. (Page 261.) The same arguments would of course be applicable to the recent decisions of our courts. A special chapter is devoted to the boards of arbitration and conciliation, the sliding-scale method, and the basis-system as practised in Pennsylvania; but the whole movement seems to the author to be still "in der Phase der Kindheit."

Part 4 (pages 297–338) discusses the various insurance funds and other benevolent institutions of the trades-unions, which, as is well known, cannot bear comparison with the achievements of the English unions. As Professor Sartorius believes in the speedy swallowing up of the trades-unions by the larger bodies, he has but little hope for the development of this side of their activity.

This survey will give an idea of the scope of the work. It is strong in its mastery of details and careful presentation of facts, often laboriously collected; it is weak in the philosophical portions, in the discussion of the principles that underlie the whole development of the labor organizations in the United States. So far as the work goes it is good, but an investigation of this kind should be more than a history and presentation of facts. But notwithstanding these defects, it may be declared the first careful and scholarly description, whether here or abroad, of the American labor-assemblies and their tendencies, and on that account it will be indispensable to every student of the problem. A fairly complete bibliography materially increases the value of the book.

EDWIN R. A. SELIGMAN.

The Relation of the Modern Municipality to the Gas Supply. By EDMUND J. JAMES, Ph.D. American Economic Association, May and July, 1886. — 8vo, 76 pp.

It is a suggestive characteristic of the recent work done by American economists that the choice of subjects, as compared with that of the past generation, is fresh and original. Until within a few years the economic literature of the United States consisted mainly in text-books, in partisan fulminations against free trade or protection, and in a very few works on fiscal policy. At present the range of topics discussed is co-extensive with the whole field of economics itself. The reason of this change we must indeed partly ascribe to the growing importance of the problems that call for solution; but the chief cause may be found in the changed

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convictions of the economists themselves, and in the impulse given to investigation by new methods and new ideas. The American Economic Association was inaugurated in order to voice these new methods; and after having published the report of its organization, by the secretary, it now issues the first of a series of monographs.

Whether considered as a question of municipal finance, or in its larger aspect as illustrating the delimitation of functions between state and individual enterprise, the gas problem is one of singular interest and importance. Professor James treats the subject from every point of view, and with the added advantage of acquaintance with the experience of European cities. He shows that the gas business is necessarily a monopoly, owing partly to the technical and administrative peculiarities of the enterprise, and that the experience of free competition in Europe as well as in America is not of the most reassuring character. In gas supply as well as in the case of railways and telegraphs, we may say that amalgamation, absorption and combination have been the uniform rule, corroborating the opinion of the English engineer that when combination is possible, competition is impossible. The gas service is a practical monopoly, and the choice thus lies simply between public and private monopolies. Some of course will immediately put forth the cry of "Socialism" at the mere suggestion of such an alternative; but Professor James wisely approaches the subject without any bias. To assert that the assumption of the gas service by the municipality is not a government function is simply a recurrence to the exploded *laissez-faire* doctrine. The question must be decided on the merits of the individual case, and the problem is simply the business one — how can the best, most efficient, and cheapest supply be obtained? Looked at in this light the answer is not difficult. In the great majority of English towns the gas works, as the result of a long evolution, are public institutions; and both there and in Germany the advantage on the score of cheapness in production does not lie with the private companies, while in so far as the consumer is concerned the public works are indisputably superior. Even in the United States, municipal ownership is not unknown, and the experience of Philadelphia, Wheeling, and especially Richmond, seems to be in many respects highly satisfactory. Professor James refutes the claim that public management tends to increase political corruption, by showing that our private corporations only change the form of rottenness and corruption. "The way to improve our administration is not by trying to abolish it." (Page 47.)

At the close, the conclusions are briefly summarized in ten points which it is impossible here to recapitulate. The monograph can be highly recommended, and should attract the attention of the public.

E. R. A. S.

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First Biennial Report of the Bureau of Industrial Statistics and Information of Maryland. 1884–1885. By THOMAS C. WEEKS, Chief of Bureau, Baltimore, 1886. — 8vo, lxii, 249 pp.

First Annual Report of the Bureau of Labor and Industrial Statistics [Kansas]. Topeka, 1886. — 8vo, viii, 268 pp.

The work of establishing bureaux of labor statistics extends itself from year to year, not only to new and enterprising states like Iowa and Kansas, but even to old and conservative ones like Connecticut and Maryland. We have above the first reports of the youngest of these bureaux. They are noticed here not on account of the intrinsic merits of the reports themselves, which could hardly be very high upon a first attempt, but because it is a matter of scientific interest to determine if the bureaux are going to be conducted in such a way as to add to our knowledge of the condition of the laboring class. These organizations have it in their power to render a very great service to the community; and, if they are faithful to their trust, the solution of the labor question will be much easier and more satisfactory.

Judged from this scientific point of view, the Maryland report, although perhaps of local interest, has no scientific value. It neither gives comprehensive labor statistics nor does it photograph for us the condition, feelings and desires of the laboring class. The first is a difficult task, and the second is a delicate one, but surely a bureau ought to attempt one or the other. The statistics of industries are taken from the U. S. Census, and the rest of the information is largely from the reports of other bureaux, or is a compilation of laws.

The Kansas chief having neither time nor money to gather comprehensive statistics has wisely devoted himself principally to getting information directly from the workingmen themselves. The testimony he reproduces gives an interesting picture of the advanced industrial condi- of a state not yet twenty-five years old. The evils of the factory system are already felt and expressed in the universal complaint of unsteady and uncertain employment. The legitimate fruit of our reckless preaching of protectionism in this country is also seen in the demand that the state shall restrict or prohibit immigration, besides doing a number of other things to "protect" the laborer. We have sown the wind and are about to reap the whirlwind.

RICHMOND MAYO SMITH.

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